EVALUATION OF THE URBAN SOCIAL HOUSING PROGRAMS

AUDIT AND EVALUATION SERVICES

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EVALUATION
OF THE
URBAN SOCIAL HOUSING PROGRAMS

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Prepared by:
Audit and Evaluation Services
Canada Mortgage and Housing Corporation

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For more information please call 1-800-668-2642 or by E-mail: chic@cmhc-schl.gc.ca

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EXECUTIVE SUMMARY

The *Evaluation of the Urban Social Housing Programs* by Canada Mortgage and Housing Corporation (CMHC) covers the Non-profit, Rent Supplement and Urban Native Housing Programs delivered since 1973. These programs were the main elements of the urban social housing strategy introduced by the Federal Government in 1985. While new commitments under these programs were terminated in 1993, subsidies continue to be provided to the portfolio of existing projects. Note that the Residential Rehabilitation Assistance Program (RRAP), co-operative housing projects and special purpose housing projects were part of the 1986 urban social housing strategy, but were not included in this evaluation. The Public Housing and Limited Dividend Housing Programs were also not included in this evaluation, nor were any unilateral provincial housing programs..

Program descriptions

The evaluation focused on the programs delivered between 1986 and 1993, but also covered other versions delivered prior to 1986.

The Non-profit Housing Program was originally introduced in 1973 to provide low interest mortgage loans and front end grants to private and public non-profit rental housing groups. The 1978 revised Program offered monthly assistance to bridge the gap between project costs and market rents, with the balance being used to reduce rental payments for low income tenants. Both the 1973 and 1978 versions of the Programs fostered a mix of low and moderate income households within the projects. The 1986 version of the Program focused on providing rental housing for low income households only. The monthly subsidies covered the difference between project costs and rental revenues based on a rent to income scale. There are about 236,000 Non-profit units in the social housing portfolio.

CMHC administered the funding under the 1973 Non-profit housing program. Under the 1978 version of the Non-profit Program, provincial governments were offered a share (approximately 50%) of the Non-profit portfolio to administer, with CMHC administering the rest. Under the conditions of the 1986 federal-provincial social housing agreements, provincial governments were given the right to administer the Non-profit program if they contributed enough funds to increase the total number of new units by 33 percent. Consequently most of the 1986 Non-profit program is under provincial administration.

The Rent Supplement Program, formally initiated in 1973, offered assistance to low income tenants of selected private and non-profit rental buildings sufficient to reduce their monthly rental charges to a level based on a rent to income scale. Provincial housing agencies administered this program and shared its cost on a 50-50 basis. There are about 47,000 Rent Supplement units in the social housing portfolio.

The program was confirmed as part of the 1986 urban social housing strategy as a cost -effective alternative to Non-profit Housing. Under the conditions of the 1986 federal-provincial social housing agreements, provincial governments which contributed sufficient funds to increase the number of new units by 33% were given the right to administer the Program.

The Urban Native Housing Program began as part of the 1978 Non-profit Housing Program in which 400 units were earmarked for urban native non-profit housing groups. As with the regular Non-profit Housing Program, assistance took the form of a monthly subsidy to reduce project cost to market rent levels, with the balance being used to permit some low income households to occupy units in the project on a rent to income basis.

These early Urban Native projects faced financial problems because most urban native families could not afford the rents for the non-subsidised units, so assistance was enriched in the early 1980's. The assistance covered the full gap between the project cost and rental revenues based on a rent to income scale, thus permitting all units in the project to be occupied by low income native families.

The Urban Native Housing Program, largely unchanged from the 1982 version, was included in the 1986 Urban Social Housing Strategy. Under the conditions of the 1986 federal provincial global housing agreements, those Provincial governments which cost-shared the program also administered it. There are about 10,000 Urban Native units in the social housing portfolio.

Evaluation results

Client targeting:

One of the objectives of the urban social housing strategy introduced by the federal government in 1986 was to ensure that housing subsidies were targeted to those in core housing need. A household was defined to be in core need if it would have to pay 30 percent of its income or more in order to obtain suitable and adequate housing on the private housing market (*an income test*) and if it was currently occupying inadequate (i.e. lacking bathroom facilities and/orin need of major repair), unsuitable (i.e. crowded) and/or unaffordable (i.e. costing 30 per cent or more of income) housing (*a housing test*).

The evaluation ascertained the extent to which the programs were targeted to core housing need households according to the income test, and the 1986 urban social housing strategy was a found to be a success. Ninety three (93) percent of the 1986 Non-profit Program clients, 96 percent of the 1986 Rent Supplement clients and 96 percent of the Urban Native Housing Program clients had incomes below the core need income thresholds.

In addition, the 1986 urban social housing programs generally performed better in this regard than did their predecessors, as 78 percent of the 1978 Non-profit Housing Program clients, 90 percent of the 1973 Non-profit Housing Program clients, 99 per cent of the 1973 Rent Supplement clients, and 92 percent of the 1978 Urban Native Housing Program clients had incomes below the core need income thresholds. (Note that these pre-1986 programs were not explicitly targeted to

households in core housing need *per se*, although units subsidized under the Rent Supplement and Urban Native Programs were intended for low income households).

Impacts on Housing Situation, Quality of life, Social and Economic Well Being:

The urban social housing strategy has led to an improvement in the housing situation of the clients. Seventy five (75) percent of 1986 Non-profit Housing tenants said that their dwelling unit was an improvement over their previous dwelling unit (65 percent of 1978 and 1973 Non-profit Housing tenants). Sixty five (65) percent of Rent Supplement clients (60 percent of 1973 Rent Supplement tenants) and 76 percent of Urban Native Housing Program tenants (66 percent of 1978 Urban Native Housing Program tenants) said that their dwelling unit was an improvement over their previous dwelling unit. These rates are all greater than that for private rental households, of whom only 43 percent said that their unit was an improvement over their previous dwelling

The programs have also improved overall quality of life for many of the clients. Forty six (46) percent of 1986 Non-profit clients (55 percent of 1973 Non-profit clients and 45 percent of 1978 Non-profit clients) said that their overall quality of life very much improved since moving in, while 43 percent of Rent Supplement clients (50 percent of 1973 Rent Supplement clients) and 53 percent of Urban Native clients (46 percent of 1978 Urban Native clients) made the same claim. These results compare to the 27 percent of private rental households claiming that their overall quality of life has very much improved since moving in.

The Non-profit Programs have markedly improved residents' social well being as reflected in an increase in social networks, community involvement and personal feelings of security. The Rent Supplement Programs had much more modest effects in these areas, while the Urban Native Housing Program out performs the other programs on several indicators of emotional well being. However the urban social housing programs have not generally provided their non-senior residents with incentives and opportunities to enhance their longer-term economic self sufficiency.

Current Housing Situation and Client Satisfaction:

The evaluation found that the incidence of housing adequacy problems among 1986 Non-profit clients was very low (3.2 percent of tenants said that their unit needed major repairs), while it was about average for Rent Supplement clients (11 percent compared to 9.6 percent for private rental households) and high for Urban Native clients (20 percent).

Mean repair requirements were lowest for Non-profit Housing ($400 per unit), moderate for Rent Supplement housing ($900 per unit) and the highest for Urban Native housing ($2200) per unit. The evaluation suggests that the high repair cost for the Urban Native units was in part due to their being mostly scattered, ground orientated family units which had been acquired (since, in general, repair requirements were found to be higher for ground oriented housing and for acquired projects).

The evaluation found that the incidence of suitability (crowding) problems was lower for 1986 Non-profit and Rent Supplement clients (6 and 4 percent respectively) than for private rental households (8 percent) and higher for 1986 Urban Native Housing Program clients (14 percent).

The incidence of affordability problems was high (47 percent of 1986 Non-profit clients, 51 percent of 1986 Rent Supplement clients and 60 percent of Urban Native Housing clients) and not much different from private rental households (48 percent). This pattern of a high incidence of affordability problems paralleled that found in other housing program evaluations (Public Housing and Co-operative housing for example).

The high incidence of affordability problems is attributable to several factors, including some provinces setting their RGI scales at the affordability threshold of 30 per cent, provincial welfare agencies setting the rental allowance at more than 30 percent of the total welfare payment, tenants in violation of rental agreements being charged market rental rates, lags in the reporting of reduced incomes, higher than prescribed utility charges and inclusion of cooking and lighting energy costs in heating costs.

Client satisfaction with their current accommodation is high, albeit it is generally lower for tenants of the post-1985 programs than for tenants of the pre-1986 programs. Fifty six (56) percent of 1986 Non-profit Housing Program tenants are very satisfied with their homes (compared to 65 percent of 1978 Non-profit Housing Program tenants and to 61 percent of 1973 Non-profit Housing Program tenants). Forty one (41) percent of 1986 Rent Supplement tenants (compared to 55 percent of 1973 Rent Supplement tenants) and 60 percent of 1986 Urban Native Housing Program tenants (compared to 54 percent of 1978 Urban Native Housing Program tenants) were very satisfied with their current homes.

Project Management:

Because funding for new urban social housing projects had been terminated, the evaluation focused on portfolio management issues rather than delivery issues. According to CMHC portfolio managers, about one in ten non-profit groups and one in six urban native groups with which they dealt regularly had serious management problems. About one in ten project managers themselves reported serious management problems, with repair and maintenance being cited as a problem in older projects and rent collections being cited as a problem in newer projects. A significant portion of Urban Native and Non-profit managers were dissatisfied with the level of training available for staff or board members.

CMHC portfolio managers reported that about five percent of non-profit projects had experienced serious financial difficulties within the previous five years. Poor project management, local market conditions, building condition and suitability problems were seen as factors contributing to financial difficulties. An anomaly in the subsidy formula for 1978 Non-profit projects which caused subsidies to be reduced during periods of declining interest rates was also cited as a concern by CMHC portfolio managers.

An issue of particular concern in the evaluation was whether sufficient funds had been set aside by project managers to cover current and future repair requirements. The evaluation found that replacement reserves exceeded current repair requirements for 85 percent of private Non-profit units, but only for 33 percent of Urban Native housing units. Public Non-profit projects were much less likely to have reserves than private sponsors because several provinces had special provisions for funding repairs. Not enough information was available to determine if sufficient reserves were being set aside to meet longer term repair requirements.

Non-profit and Urban Native Project Cost:

Subsidy requirements were higher for the 1986 Non-profit projects than for the 1973 and 1978 Non-profit projects, reflecting lower revenues and higher project cost.

The lower revenues were attributable to the 1986 projects serving low income households paying rent on a rent to income basis (while the earlier projects served both moderate income households paying rent at market levels and low income households paying rent on a rent geared to income basis).

The higher costs were attributable to the higher mortgage repayment costs which were in turn due to higher capital costs. The capital costs were higher because of inflation which occurred between 1973 and 1993.

Operating costs (utilities, maintenance, taxes, administration, replacement reserves and other expenses) were lower on the 1986 projects than on the pre-1986 projects because they were newer, built to higher standards and therefore less expensive to operate and maintain. The evaluation found that Non-profit operating costs were within the normal range for private projects.

Per unit costs elements by program (in terms of constant 1994 dollars)					
	Non-profit			Urban Native	
	1973	1978	1986	1978	1986
Total Per Unit Revenues	$5,029	$5,190	$3,068	$3,978	$4,061
Total Per Unit Costs	$6,892	$8,693	$9,692	$11,420	$14,108
Per Unit Mortgage Payments	$1,366	$4,527	$6,194	$5,910	$7,956
Per Unit Other Costs	$5,526	$4,166	$3,498	$5,510	$6,152

Subsidy requirements for the Urban Native Program also increased between 1978 and 1986 due almost exclusively to an increase in project costs (since project revenues changed very little owing to both programs being targeted to low income households and both offering deep subsidies).

Mortgage costs for the 1986 Urban Native projects were higher than for the 1978 Urban Native projects for much of the same reasons as for the Non-profit Program. However operating cost

were also higher, a pattern which differs from the Non-profit portfolio. This may be explained by relatively more projects being located in Ontario and British Columbia under the 1986 program than under the 1978 program, as the evaluation found that most high cost Urban Native projects were located in these two provinces. The evaluation found that Urban Native operating costs were higher than the normal range for comparable private rental projects.

There were also differences in revenues and costs between the Non-profit and Urban Native Programs. Urban Native projects' revenues were generally higher than for the 1986 Non-profit projects, reflecting their serving a higher proportion of families. They were lower than those for the 1973 and 1978 Non-profit projects, reflecting their serving low income households rather than a mix of low and moderate income households.

Urban Native projects' mortgage, maintenance and operating costs were higher, in part reflecting differences in dwelling types and acquisition methods. The Urban Native Program funded relatively more scattered, ground orientated dwellings (single detached units, row houses etc.), which are relatively more expensive to build, maintain and operate than are dwellings in apartment buildings.

It also funded relatively more existing dwelling acquisitions, which are more expensive to maintain and operate than new buildings. The evaluation found that the Urban Native dwellings were more costly to operate and maintain than were the Non-profit dwellings, even when controlling for building type and location.

Cost Effectiveness:

Typically the initial subsidy cost of Non-profit Housing units are higher in nominal dollar terms than are the subsidy costs of Rent Supplements, but fall below the Rent Supplement subsidy costs over time because mortgage payments, which represent a part of initial total costs, are not affected by inflation, while all of the Rent Supplement subsidy costs increase with inflation. This difference in the pattern of costs often gives rise to the question "which approach is more cost-effective over time?".

The evaluation examined the literature on the cost effectiveness of the Non-profit Program relative to the Rent Supplement Program to address this issue and found little consensus among the studies. Those which calculated cost in nominal terms were more likely to conclude that Non-profit Housing was more cost effective than Rent Supplement assistance because long term Non-profit costs fell relative to long term Rent Supplement costs. Those which calculated cost in discounted constant dollar terms were more likely to conclude that the Rent Supplement Program was more cost effective, or at least as cost effective, as the Non-profit Program because the cost advantage of the Non-profit Program in later years would be heavily discounted, while the up-front cost disadvantage would be given more weight.

The evaluation concluded, based on these studies, that neither form of assistance could be said to be more cost effective.

1. INTRODUCTION

The *Evaluation of the Urban Social Housing Programs* covered CMHC's non-profit, rent supplement and urban native housing programs. The evaluation was launched before the April 1993 federal budget, which stopped funding new commitments under these programs after the 1993 - 94 fiscal year.

1.1 The evaluation

Scope

The evaluation covered:

-all versions (including versions delivered in non-urban areas) of the federal **Non-profit Housing Program** active since January 1, 1973:

> **Co-operative Housing Excluded**
>
> Co-operative housing funded under the NHA Section 61, Section 95 and the Index Linked Mortgage financing provisions were excluded from this evaluation as it was covered in the 1992 CMHC evaluation of the Federal Co-operative Housing Program.

- the 1973-1978 Non-profit Housing Program authorized by Section 27 of the *National Housing Act* (NHA), formerly known as the Section 15.1 program and referred to in this report as the *1973 Non-profit Housing Program*. For the purposes of this evaluation, this program is defined as including non-profit housing projects committed from January 1, 1973 (this group also includes projects authorized by Section 26 of the NHA, formerly Section 15),

- the 1978 - 1985 Non-profit Housing Program authorized under Section 95 of the NHA, formerly known as the Section 56.1 program and referred to in this report as the *1978 Non-profit Housing Program*, and

- the 1986 - 1993 Non-profit Housing Program authorized under Section 95 of the NHA, formerly part of the Section 56.1 program and referred to in this report as the *1986 Non-profit Housing Program*,

but not special-purpose or special-care facilities funded under the Non-profit Housing Program, or the recently evaluated co-operative housing projects;

-both versions of the federal **Rent Supplement Program** active since 1970 including:

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-both versions of the federal **Rent Supplement Program** active since 1970 including:

- the 1970 - 1985 Rent Supplement Program agreements with provinces, municipalities or public housing agencies under Section 82(1)(*a*) of the NHA (formerly known as Section 44(1)(*a*)) and 1970 - 1985 Rent Supplement Program agreements with non-profit corporations under Section 82(1)(*b*) (formerly Section 44(1)(*b*)). The agreements under Section 82(1)(a) authorized provinces, municipalities and public housing agencies to sub-lease private rental units to low income tenants at reduced (subsidized) rates. Some units in some limited dividend projects established under special provisions from 1970 to 1973 were included in this program. The agreements under Section 82(1)(b) authorized non-profit groups to further subsidize rental costs for low income tenants of non-profit rental projects. These are referred to in this report as the *1973 Rent Supplement Program*.

Equivalency Between Old and New Sections of NHA

Before 1990	***From 1990 On***
15	26
15.1	27
56.1	95
44(1)(a)	82(1)(a)
44(1)(b)	82(1)(b)
34.18	61

- and the 1986 - 1993 Rent Supplement Program agreements with provinces, municipalities, public housing agencies and non-profit housing groups authorized under Section 95 of the NHA (formerly known as the Section 56.1 program). These agreements authorized provinces, municipalities and public housing agencies to sub-lease private rental units to low income tenants at reduced (subsidized) rates. They also authorized non-profit groups to further subsidize rental costs for low income tenants of pre-1986 non-profit rental projects. These are referred to in this report as the *1986 Rent Supplement Program.*.

but not co-operative housing; and

-both versions of the federal **Urban Native Housing Program** active since 1978:

- the 1978 - 1985 Urban Native Housing Program, delivered under Section 95 (formerly Section 56.1) of the NHA and referred to in this report as the *1978 Urban Native Housing Program*, and

- the 1986 - 1993 Urban Native Housing Program, also authorized under Section 95 of the NHA, referred to in this report as the *1986 Urban Native Housing Program.*

Approach

The evaluation used information from program records, commissioned studies and published sources such as Statistic's Canada's 1991 Census and the 1991 Aboriginal Peoples Survey. The focus of the evaluation was on urban social housing projects developed since 1986.

Most of the commissioned studies involved large-scale national surveys. A list of background reports is included in Appendix A. The main data-collection components of the evaluations were

- the 1970 - 1985 Rent Supplement Program agreements with provinces, municipalities or public housing agencies under Section 82(1)(*a*) of the NHA (formerly known as Section 44(1)(*a*)) and 1970 - 1985 Rent Supplement Program agreements with non-profit corporations under Section 82(1)(*b*) (formerly Section 44(1)(*b*)). The agreements under Section 82(1)(a) authorized provinces, municipalities and public housing agencies to sub-lease private rental units to low income tenants at reduced (subsidized) rates. Some units in some limited dividend projects established under special provisions from 1970 to 1973 were included in this program. The agreements under Section 82(1)(b) authorized non-profit groups to further subsidize rental costs for low income tenants of non-profit rental projects. These are referred to in this report as the *1973 Rent Supplement Program*.

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resident surveys, project management/landlord surveys, physical condition surveys, a renter comparison group survey, case studies and surveys of CMHC field portfolio managers (Table 1.1).

Table 1.1:
Data sources for the individual social housing program evaluations

	Resident	Project management/ landlord	Physical condition	Renter comparison group	Case studies	CMHC field portfolio managers
Non-profit	mail-out	mail-out housing project managers sponsors	inspections	mail-out	8 projects	phone interviews
Rent supplement	mail-out	mail-out	inspections	mail-out	not applicable	phone interviews
Urban native*	in-person interviews	mail-out housing project managers sponsors	inspections	not applicable	4 communities	phone interviews
Notes	provincial-level detail available for 1986 programs only	provincial-level detail available for 1986 programs only	1973 rent supplement units not inspected; provincial-level detail available for all other programs and versions	Sample of private market rental tenants.		mostly covered 1973 and 1978 non-profit, and both versions of urban native

* Note that no data was collected from Urban Native projects in Quebec. Hence evaluation findings about the Urban Native Program may not necessarily apply to Quebec.

1.2 Evolution of the programs

Programs to develop non-profit housing and deliver rent supplement assistance were cornerstones of federal social housing policy since the early 1970s and, in tandem with co-operative housing initiatives, largely replaced Public Housing and Limited Dividend Entrepreneurial housing programs. Most CMHC-supported non-profit housing projects are managed by either municipal or provincial governments or by incorporated non-profit housing organizations. Federal programs to assist the development of non-profit housing were in place between 1938 and 1993. During the 1938 to 1973 period, assistance was in the form of CMHC direct, high ratio mortgage loans. Subsidies for non-profit projects were introduced in 1973 when non-profit housing became a major thrust of federal social housing policy.

The Urban Native Housing Program evolved during the late 1960s and early 1970s from several Aboriginal housing and non-profit housing initiatives. Program activity developed with the NHA amendments that authorized and reorganized non-profit housing in 1973, 1978, and 1986. From 1970 to 1975, urban native non-profit housing corporations were formed in Manitoba, Alberta, Saskatchewan, Ontario and New Brunswick, and used Non-profit Housing Program funds to acquire units. By 1975, Aboriginal sponsors owned about 600 housing units.

The Rent Supplement Program began in 1971, with the leasing of private sector housing units under the Project Initiative and Development Program and their being rented at subsidised rates to low-income households. The difference between the rent charged by the landlord and tenants' rent, which was set according to public housing rent-to-income scales, was paid by the federal and provincial governments in a cost-sharing arrangement under the subsidy provision of Section 82(1)(a) of the NHA. Until 1973, Ontario was the major user of the Rent Supplement Program mainly because of community resistance to public housing. In 1973, the maximum length of contracts with landlords on rent supplement units was extended from 5 to 15 years for all commitments made under the program since 1971.

1973 NHA amendments

During the 1960s, the form and style of public housing provided for low-income families (the main low-income housing program) became a problem. In many municipalities, public housing was concentrated in large projects in specific areas, raising questions as to whether clients' social well-being was adequately considered. In January 1969, the Report of the Federal Task Force on Housing and Urban Development (the Hellyer Report) criticized the physical adequacy and quality of life in the large, high-density public housing projects found in major urban centres. It recommended that construction of such projects cease pending the results of research into the economic, social and psychological effects of public housing. At the same time, public resistance to large-scale, concentrated public housing projects was increasing, especially in Ontario, and operating losses in public housing projects were increasing rapidly. All these factors convinced the federal government to find other ways to house low-income people.

As part of the resulting amendments to the NHA in 1973, the federal government began to shift the emphasis of its social housing programs from public housing to non-profit and co-operative housing and rent supplements, thereby reducing reliance on large government-run projects. Non-profit housing would receive financial assistance in the form of long-term (50 years) high-ratio (90%) mortgage loans (as it had under the previous full recovery program), and a "loan" of the remaining 10 percent equity in the form of a forgivable capital contribution earned over the term of the mortgage. The 10 percent capital contribution was actually a direct subsidy because it was not repaid as long as the project complied with its operating agreement with CMHC. Projects receiving this assistance could also participate in the Rent Supplement Program to reduce rents for low-income tenants even more. The 1973 Non-profit housing program was administered by CMHC.

The year 1973 also saw a regularized Rent Supplement Program to subsidize low-income tenants of privately owned housing leased by provinces, municipalities and public housing agencies

(Section 82(1)(a)) and of non-profit and co-operative housing corporations (Section 82(1)(b)). The Rent Supplement Program was cost-shared on a 50/50 basis and administered by provinces and territories as a complement to public housing programs, generally using public housing rent-geared-to-income (RGI) scales. In non-profit housing projects, up to 25 percent of family units were eligible for Rent Supplement assistance. Senior citizens' projects were not restricted in this way.

In January 1979, to promote this form of assistance, the maximum agreement period on new commitments under the Rent Supplement Program was increased from 15 to 35 years. In 1991, pre-1979 Rent Supplement commitments were also extended to 35 years.

1978 amendments to the NHA

In 1978, another set of NHA amendments introduced a new approach to social housing. Partly because it provided low subsidies while requiring large capital outlays, the Section 27 Non-profit Housing Program and its Section 61 co-operative component were failing to help the neediest households; therefore, they were replaced by the Section 95 Non-profit Housing Program. Under the revamped program, CMHC insured private mortgage financing for the housing projects and provided a continuing subsidy to keep the effective mortgage interest rate at 2 percent. At first, projects used the subsidy to allow rents to be set at low end of market (LEM) rates; their next priority was RGI (at 25 percent) units for their poorest tenants. The development of income-mixed non-profit housing was, therefore, a basic premise of the program at that time. Since 1993, most of the mortgages that were renewed under the 1978 non-profit program are being refinanced through the CMHC Direct Social Housing Lending Initiative to keep both effective mortgage interest rates and subsidy requirements low.

Under the 1978 Non-profit housing program, in general, CMHC administered the portfolio of private Non-profit housing projects while the public Non-profit housing projects were administered by the provinces and territories.

The Section 95 programs were originally designed to operate on federal assistance alone. However, once provincial subsidies matched the federal subsidies, the federal government shared equally with the province any further subsidy requirements for the projects under Section 82(1)(b) Rent Supplement. The intent of sharing the risk of escalating subsidy requirements was to encourage provincial contributions, thereby increasing the number of low and moderate income households which could be served. This option was rarely taken up.

Under the 1978 private Non-profit Housing Program, up to 400 units per year were reserved for urban native non-profit sponsor groups. However, few projects could find enough tenants who could afford to pay market rents. This meant that such projects were dominated by RGI households and their subsidy needs exceeded the funds available; therefore, many urban native sponsors had financial problems. Under this program, urban native sponsors were also permitted to rent units to non-Aboriginal moderate-income households. In 1982, the federal government approved amending the urban native component of the Non-profit Housing Program and, in 1983, funded full operating-cost subsidies for 400 units, which had to be occupied by Aboriginal

households. Sponsors were still permitted to rent to non-Aboriginal tenants, but these were ineligible for additional subsidy assistance.

By 1984, 1,000 urban native units per year were eligible for full operating-cost subsidies. At that time, all Section 95 urban native projects committed before the additional subsidies were available also became eligible for full operating-cost subsidies.

Table 1.2
Distribution of urban social housing units by program and province

Program	NF	PEI	NS	NB	QC	ON	MA	SK	AB	BC	TERR	Canada
1973 non-profit												
NHA s. 26	112	27	1,633	1,293	1.774	8,813	5,952	4,762	2.361	10,647	29	37,403
NHA s. 27	1.510	346	1,723	2.162	2,989	13,967	2,092	1,863	1,432	8,313	195	36,592
Total	1.622	373	3,356	3,455	4,763	22,780	8,044	6.625	3.793	18,960	224	73.995
1978 non-profit												
Private	1,489	289	1.007	3,392	13.207	21.584	4,149	1,337	1.567	9.973	30	58,024
Public	268	308	537	-	21,669	10.449	1.116	3,681	4,018	2,996	58	45.100
Total	1,757	597	1.544	3,392	34,876	32,033	5,265	5,018	5,585	12,969	88	103,124
1986 non-profit												
Private	705	229	214	1,397	3,926	11,371	1,386	1,168	581	9.212	192	30,381
Public	557	246	1,425	-	10,307	8,998	1,280	1,204	2,910	1,144	216	28,287
Total	1,262	475	1.639	1.397	14.233	20.369	2.666	2.372	3,491	10,356	408	58,668
1973 rent supplement												
S. 82.1(a)	605	317	-	20	1,832	14,338	708	-	17	694	28	18,559
S. 82.1(b)	-	-	8	356	182	4.250	580	56	171	2,314	11	7,928
Total	605	317	8	376	2,014	18,588	1.288	56	188	3,008	39	26,487
1986 rent supplement												
Regular	352	100	466	484	6,935	1,812	693	578	2,386	692	276	14,774
ILM Co-op	49	44	306	117	1,609	1.910	358	57	399	1,020	21	5,890
Total	401	144	772	601	8,544	3,722	1,051	635	2.785	1,712	297	20,664
Urban native (1978 and 1986)												
1978-1985	7	16	63	168	79	595	459	1.292	187	566	37	3,469
1986-1993	64	38	70	32	1.045	1.499	877	667	893	1,228	119	6,532
Total	71	54	133	200	1.124	2,094	1,336	1,959	1,080	1,794	156	10,007
Grand total												
	5,718	1,960	7,452	9.421	65.554	99.586	19,650	16,665	16,922	48,799	1,212	292,939

Source: Canadian Housing Statistics, CMHC, 1993.
Note: Excludes other programs not currently being evaluated including Public Housing, Co-operative Housing Programs and RRAP. Figures include special-purpose housing.

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1986 changes in social housing

In 1985, the federal government published the results of the Ministerial Task Force on Program Review Relating to Housing Programs and issued a Consultation Paper on Housing that challenged the wisdom of spending social housing funds on anyone but the poor, and thus initiated the restructuring of Canadian social housing programs. The results of this consultation were released as policy under the title, *A National Direction for Housing Solutions*. The revised federal social housing policy had two main principles: directing all social housing funds to households in *core housing need*, and transferring responsibility for program delivery and administration to the provinces and territories.

Core Housing Need

Households are defined as being in core housing need if they live in housing that:

needs major repairs, lacks adequate, functioning bathroom facilities, is overcrowded and /or costs 30 percent or more of their incomes;

and

the household would have to spend 30 percent or more of its income to pay the average rent of alternative local market housing that meets standards.

In 1985, the non-profit, urban native and rent supplement housing programs were adapted on these principles. Because the new non-profit program targeted a clientele in core housing need, and therefore no tenants would be able to pay market rents, the subsidy formulawas changed to the "cash-feed" funding system that covered all operating losses on eligible expenditures.

In 1986, provinces and territories were offered the opportunity to take over program delivery and portfolio management on condition that they contributed at least 25 percent of program costs. The objective of this change was to bring more subsidy dollars into the program and make more units available for needy households. All provinces and territories except Prince Edward Island and the Northwest Territories assumed responsibility for delivery and portfolio management of the non-profit and rent supplement programs, but most provinces declined participation in the Urban Native Housing Program. To ensure that the revised programs achieved both federal and provincial objectives, a federal-provincial-territorial program delivery planning process was initiated.

The 1986 move of the Rent Supplement Program from NHA Section 82 to 95 did little to change it. The main addition was permission to transfer subsidies from one unit or project to another of comparable cost. Including the Rent Supplement Program under Section 95 permitted provinces to enter into cost-sharing arrangements other than the 50/50 split previously required, or to decline participation altogether. In 1991, eligibility for rent supplement assistance was extended to projects committed from 1979-1985 funded under Section 95, thus providing another way to resolve financial difficulties.

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The Urban Native Housing Program continued almost unchanged except for the addition of cost-sharing by several provinces, the addition of funding for tenant counsellors and the restriction of program clientele to Aboriginal households.

Financing for non-profit and urban native projects continued to be secured from private sector sources until 1993, when it was replaced by direct lending by CMHC.

In 1993, new commitments under the Non-profit Housing, Rent Supplement and Urban Native Programs were terminated. In 1996, the federal government announced its intention to offer all ongoing social housing management, except for the On-Reserve Housing Program, to the provinces and territories.

Housing needs targeted by urban social housing programs after 1986

The most recent estimates of core housing need in Canada are from the 1991 Census, which includes housing in "baseline needs" and the 1991 Statistics Canada Household Income, Facilities and Equipment (HIFE) Survey.

Table 1.3 sets out the HIFE estimates of core housing need by province for urban households and the corresponding Census estimates for Aboriginal households. Overall, more than 1 million urban households, or 13.1 percent, were in core housing need in 1991. By contrast, 27.2 percent of urban Aboriginal households, more than 60,000 households, were in core housing need.

The incidence of core housing need in urban areas varies by province from 11.1 percent in Saskatchewan to 21.3 percent in Prince Edward Island. Among Aboriginal households, the incidence of core housing need ranges from 14.1 percent in Newfoundland to 45.4 percent in Saskatchewan.

Housing problems are defined in terms of failures to meet any or all of the following adequacy, suitability and affordability standards:

Adequacy standard - A dwelling is deemed to be substandard if it is perceived by its residents to be in need of major repair (for example, if there is defective plumbing or electric wiring or structural repairs needed to walls, floors or ceilings), or if it is lacking adequate, functioning bathroom facilitates;

Suitability standard - A dwelling is deemed to be substandard, and thus is crowded, if fewer bedrooms are available to the household than is prescribed by the National Occupancy Standards (NOS). The NOS recommends that each adult in a household have a private bedroom, unless cohabiting with a spouse, in which case a bedroom may be shared with the spouse. A maximum of two children of the same sex may share a bedroom and children of opposite sex may share a bedroom only if they are less than 5 years of age. Although the NOS is not explicit about bachelor units, it would be a fair interpretation to say a bachelor unit is suitable for a one-person household;

Affordability standard - A dwelling is deemed to be substandard if 30 percent or more of household income is used to acquire shelter. For a tenant household, shelter costs are rent, water and heat charges. Heat charges may be for electricity, oil, natural gas or all three; for space or water heating or both, and may be included in the rent or paid separately.

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In general, the highest concentrations and absolute numbers of Aboriginal households in core housing need are found in western Canada. A similar pattern appears in Table 1.4, which sets out estimates of core housing need for Aboriginal and non-Aboriginal households by metropolitan area.

Table 1.3
Distribution and incidence of tenant households in core housing need in urban areas by Province and for Canada (1991)

	Aboriginal households		All households	
	Number	Incidence (%)	Number	Incidence (%)
Newfoundland	135	14.1	12,000	12.4
Prince Edward Island	55	17.5	3,000	21.3
Nova Scotia	840	22.4	31,000	15.2
New Brunswick	530	23.4	17,000	12.2
Quebec	7,190	19.4	307,000	14.7
Ontario	14,285	21.1	351,000	11.7
Manitoba	7,730	39.6	33,000	11.7
Saskatchewan	5,955	45.4	23,000	11.1
Alberta	10,115	30.4	23,000	11.8
British Columbia	12,730	30.9	153,000	15.1
Yukon Territory	225	23.6	-	-
Northwest Territory	710	33.8	-	-
Canada	60,515	27.2	1,015,000	13.1

Source: Research Division, CMHC.
Notes: Aboriginal estimates are based on Baseline Estimates from the 1991 Census of Canada. Figures are rounded to nearest 5.
Estimates for all households are based on special tabulations from the 1991 CMHC core housing need database developed from Statistics Canada's 1991 HIFE micro data tape. Figures are rounded to nearest 1000.

Table 1.4
Incidence of core housing need in major Canadian cities and for Urban Canada, 1991 (%)

City	Aboriginal households	All other households	Total core need
St. John's	-	16.5	16.5
Halifax	22.2	16.9	17.1
Saint John	26.4	15.8	16
Trois-Rivières	20.8	17.6	17.8
Chicoutimi-Jonquière	-	13.4	13.4
Québec	14.5	15.8	15.8
Sherbrooke	19	18	18.2
Montréal	18	20.3	20.3
Ottawa-Hull	15.7	14	14.1
Oshawa	17.4	13.4	13.5
Toronto	19.3	16.7	16.7
Hamilton	21.6	13.5	13.6
St. Catharines-Niagara	23	13.4	13.6
Kitchener-Waterloo	16.7	12.7	12.8
London	23.5	14.9	15.1
Windsor	22.4	14.9	15.1
Sudbury	22.2	14.5	14.9
Thunder Bay	27.7	12.2	12.9
Winnipeg	40.8	15.8	17.4
Regina	46.2	15.5	17.2
Saskatoon	51.6	18.9	20.8
Calgary	25.9	14.5	14.8
Edmonton	33.2	14.4	15.6
Vancouver	35.6	21.5	21.9
Victoria	31	17.8	18.2
Urban Canada	27.2	12.7	13.1

Source: Research Division, CMHC: core need estimates based on 1991 Census (Statistics Canada).

2. TARGETING OF PROGRAM CLIENTELES AND TENANT PROFILES

2.1 Key findings

1. Non-profit, rent supplement and urban native housing meet their respective client targeting criteria and serve low-income Canadians.

2. More than 50 percent of tenants in all urban social housing units had household incomes below $15,000; averages ranged from about $10,000 for rent supplement tenants to just over $20,000 for tenants in 1978 program non-profit housing, which is income-mixed. The Rent Supplement Program serves the lowest-income clientele.

3. More than 90 percent of tenants have incomes below core need income thresholds (CNITs) in all programs except the 1978 non-profit housing, where 78 percent of tenants were below CNITs. The targeting of a clientele in core housing need that was the major change made in 1986 increased the proportion of housing units available to Canada's neediest households.

4. The Urban Native Housing Program successfully targets households with Aboriginal members, and the non-profit and rent supplement programs assist Aboriginal households in proportion to need.

5. A higher proportion of social housing units are occupied by households with members having a disability than of the private rental stock. The majority off households with disabled members living in social housing projects have units that are specially equipped to meet their needs (more than 90 percent in non-profit housing).

6. These programs serve a range of household types, reflecting the types of projects and units assisted. The proportion of seniors and family tenants in 1986 program projects is very close to these groups' respective shares of need - a considerable shift from the mix of tenants in the pre-1986 program projects, and just what the 1986 program objectives were designed to achieve.

2.2 Introduction

Since 1986, Canadian social housing programs have been designed to help people who cannot afford adequate housing. The comprehensive, normative measure, core housing need, was introduced to define the target clientele. The 1986 policy allowed for a mix of incomes to be served within the core need income thresholds (CNIT's) and a subsequent modification to the federal-provincial operating agreements permitted up to 10% of clients to have total household

incomes above the core need income threshold. Until then, programs were oriented to lower- and moderate-income households.

Another post-1986 goal of social housing programs was the equitable distribution of assistance, based on share of need, to families and seniors. Non-elderly single people were not a designated priority group until the early 1990s.

The 1986 changes also targeted Aboriginal households living in urban areas, complementing the On-Reserve Housing Program. To be eligible for the Urban Native Housing Program, a household must include at least one Aboriginal person.

The evaluation examined whether the social housing programs under review (i.e. the Non-profit Housing, Rent Supplement Assistance and Urban Native Housing Programs) meet their targeting criteria. It did not, however, examine whether the 1986 urban social housing strategy met its overall targeting objective, since a number of components of that strategy, such as targeted Co-operative Housing, Special Purpose Housing and the Residential Rehabilitation Assistance (RRAP) Program, were not included in the evaluation.

The evaluation also collected information on the general characteristics of all social housing clients. This information included whether the household had a disabled member, an aboriginal member, an elderly member and or a member of a visible minority. It also collected information on household size, the number of children and household type. Table 2.1 below summarises key client data relevant to this comparative summary.

Table 2.1 Tenant profile summary

	Non-profit			Rent Sup.		Urban Native	
	'1973	'1978	'1986	'1973	'1986	'1978	'1986
Household income (1993)							
Less than $5,000 (%)	8.4	3.2	6.8	12.3	8.7	4.4	2.3
5,000-9,999 (%)	18.3	12.9	26.4	37.9	41.6	16.2	18.1
10,000-14,999 (%)	35.8	36.4	39.7	38.5	36.1	33.7	36.9
15,000-19,999 (%)	13.6	14.1	12.2	5.4	8.5	28.6	23.7
20,000-24,999 (%)	10.4	4	8.6	3.5	3.1	9.6	10
25,000 or more (%)	13.5	29.3	6.4	2.5	2	10.5	9
Mean income ($)	15,160	20,651	13,198	9,999	10,511	15,050	14,941
Median Income ($)	13,000	14,849	11,242	9,848	9,800	14,000	14,000
Below CNITs (%)	90	78	93.1	99.3	96.1	91.5	96

Table 2.1 Tenant profile summary

	Non-profit			Rent Sup.		Urban Native	
	'1973	'1978	'1986	'1973	'1986	'1978	'1986
Household make-up							
Average number of people per household	1.8	2	1.9	1.4	1.7	3.6	3.5
Households including a senior (%)	51.9	46.6	40.3	42.5	18.5	10.4	5.8
Households including an Aboriginal person (%)	4	1.5	6.1	1.2	4.8	96.7	99
Households including a person with a disability (%)	23.7	16.4	25.2	27.9	16	9.1	9.7
Hhds. including a member of a visible minority (%)	14.1	11.7	13.5	4.6	7.7	-	-
Households including children (%)	19.5	17.3	27.5	9.5	27.7	68.3	72
Household size							
1 person (%)	61	47.2	50.2	69.4	54.2	12.3	9.7
2 people (%)	17.1	29	27.9	24	26.8	14.9	19.6
3 people (%)	10.9	5.9	11.8	6	12	23.3	23.2
4 people or more (%)	11	17.9	10.1	0.6	6.9	49.5	47.5
Number of children per household							
No children (%)	80.5	82.7	72.5	90.5	72.3	31.7	28
1 child (%)	8.9	6.9	15.2	7.4	17.7	22.9	23.1
2 children (%)	7.9	7.5	8.5	2.1	8.1	26.9	26.7
3 children or more (%)	2.7	2.9	3.8	$	1.9	18.5	22.3
Household type							
Single person (%)	61	47.2	50.2	69.4	54.2	12.3	9.7
Couple (%)	11.1	25.7	12.9	12	5.8	7.6	6.4
Two parents with resident child(ren) (%)	5.9	12.4	8.2	3.3	7.3	30.1	25.9
One parent with resident child(ren) (%)	13.6	4.9	19.8	6.2	20.7	42.6	49.4
Other (%)	8.5	9.8	9	9.1	12	7.5	8.6

Source: Urban Social Housing Evaluation Resident Surveys, Program Evaluation Division (PED), CMHC, 1994.

2.3 Targeting of program clientele

Core housing need

In 1986, the *core need income thresholds* (CNITs) became the eligibility criterion for federal social housing programs. CNITs can also be used to indicate how well programs targeted low-income households before 1986, even though program objectives did not include them. Table 2.1 shows that the percentage of tenant households with incomes below the applicable CNIT varies from 78 percent to 99 percent. The highest percentage was found among 1973 Rent

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> **Core need income thresholds** (CNIT's) are defined at the local housing market level according to the prevailing private market rents for adequate dwellings of various sizes.

Supplement Program tenants, and the lowest percentage among tenants in the income-mixed 1978 program non-profit projects[1]. Thirty-six percent of 1978 program non-profit tenants paid *Lower End of Market* (LEM) rents, and more than 33 percent of these non-RGI tenants had incomes below the CNIT. Since 1986, however, the proportion of core-need households in 1986 program non-profit housing was 15 percent higher than in 1978 program projects; that is, approximately 8000 more households in core housing need than would have been served by the 1978 program, based on the number of units funded by the 1986 program.

The post-1985 programs have the highest proportions of households with incomes below CNITs, but the majority of households in the earlier programs are also in core housing need.

The urban social housing programs serve a lower-income clientele. More than 50 percent of the tenants in all the social housing programs evaluated had household incomes below $15,000 in 1993. The 1978 Non-profit Housing Program, which included income-mixing provisions, had a mean tenant income of just over $20,000 compared with an average 1993 income for all Canadian households of $39,530 and for renter households of $31,034, according to Statistics Canada HIFE data.

Furthermore, substantial proportions of program tenants had very low incomes (less than $10,000 in 1993), including 50 percent of rent supplement tenants, 20 percent of urban native tenants, and about a third of tenants in the 1973 and 1986 non-profit programs. Overall, rent supplement programs serve the lowest tenant income profiles of these programs.

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[1] An earlier evaluation of the urban social housing programs (Social Housing Review, Program Evaluation Division, 1984) reported different results. There, 92 percent of Rent Supplement tenants were found to have insufficient income to gain access to adequate housing, but only 33 percent of the 1978 Non-profit/Co-operative Housing tenants and 56 percent of 1973 Non-profit/Co-operative tenants had insufficient income to gain access to adequate housing.

Obviously the results for the Non-profit/Co-operative Housing programs were much different than reported here. This is at least partially explained by the different calculations of the thresholds used to define insufficient income. In this Report, the Core Need Income Thresholds (CNIT's) used in the administration of the programs was used. In the 1984 Report, the Norm Rents used to calculate the size of the Canadian core need population were used. For what ever reasons (e.g. the source of the data is different), the level of the CNIT's are generally higher than the level of the Norm Rents, meaning that more households will fall under the CNITS than under the Norm Rents.

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Access for Aboriginal Households

Both urban native programs successfully target households with Aboriginal members. The other programs also served a few Aboriginal households. The 1986 Non-profit program, with 6 percent of its units occupied by Aboriginal households, exceeded the Aboriginal share of need, whereas the rent supplement program, at 4.8 percent, fell short. Targeting households in core need increased the proportion of tenants from the core need group by 4.5 percent, resulting in about 300 more urban native households in core need being served than would have been served by continuation of the 1978 program.

Overall, based on the numbers of units provided since 1986 and the percentages of Aboriginal tenants in each program, more than 10,000 Aboriginal households have been served, comprising 13 percent of all households served by these programs. This represents more than double the Aboriginal share of core housing need.

Access for persons with disabilities

All of these urban social housing programs have comparatively high proportions of households that include persons who have physical disabilities (the range among programs was 9 to 28 percent). The proportion in the renter comparison group was 5.1 percent, and this figure was used as a benchmark for comparison because no estimates of core housing need were available for this priority group. More than 9 percent of urban native tenant households included people with disabilities. The 1986 rent supplement households were four times as likely, and 1986 non-profit households were five times as likely as the comparison renter group to include people with disabilities.

The evaluation found that in the non-profit and rent supplement programs, the proportion of households that had members with disabilities was substantial, and that these programs increased access to housing for this group. Most tenants with disabilities (more than 90 percent in non-profit housing) reported that their units were equipped with special features.

Access for visible minorities

Households that include members of visible minority groups occupy less than 10 per cent of rent supplement units and 12 to 14 percent of non-profit units, compared with 6 percent of households in the renter comparison group.

2.4 Household types served: Profiles by program

In the non-profit and rent supplement programs, between 50 and 70 percent of tenants were singles. In contrast only about 10 to 12 percent of Urban Native Housing Program tenants were singles. This difference may be explained by the percentage of households with senior members, with the Non-profit and Rent Supplement programs much more likely to serve elderly clients than the urban native program.

Families represented between 10 and 30 percent of Non-profit and Rent Supplement households while they represented about 75 percent of Urban Native Housing Program households. The average number of persons per household reflected the household type served under each program. Thus the household sizes in Non-profit and Rent Supplement units (between 1.5 and 2 persons) were smaller than those in the Urban Native units (about 3.5 persons).

Targeting families and seniors

The 1986 social housing programs were to provide housing assistance equitably between families and seniors based on their share of need. According to 1988 HIFE data, 28.8 percent of core need households were seniors and 39.4 percent were families (Table 2.2). Based on share of need, therefore, the targeting objectives suggest that the ratio of senior to family clients in the 1986 programs should approximate 1 to 1.37.

The ratio of seniors to families served for the three 1986 programs combined is close to the relative share of need of these two groups. Seniors comprise 32.0 percent of clients served in the three programs and families make up 41.5 percent of clients, giving a ratio of 1 to 1.3.

Table 2.2
Distribution of core housing need in 1986 programs compared to distribution of core housing need in private housing stock, by household type

Household type	Non-profit Housing Program (%)	Rent Supplement Program (%)	Urban Native Housing Program (%)	All Urban Social Housing Programs (%)	*Private Housing Stock (%)
Senior	40.3	18.5	5.8	32	28.8
Family	37	40	83.9	41.5	39.5
Other	22.7	41.5	10.3	26.5	31.8

Sources: Urban Social Housing Evaluation Resident Surveys, PED, CMHC, 1994.
*HIFE data, Statistics Canada, 1988.
Note: *HIFE core need data include all urban and rural households.

The mix of clients served has shifted considerably since the pre-1986 versions of these programs, where 46.4 percent of clients were seniors and 27.1 percent were families (a seniors to families ratio of 1 to 0.58). Essentially, the earlier programs served nearly two senior households for every family served. Social housing assistance has made considerable progress since 1986 in targeting these two groups based on share of need.

Twenty seven percent of urban social housing households are non-elderly singles, couples and "other" household types. This is lower than their share of the core need population, but higher than expected, given that priority has been accorded mostly to senior and families. This may be partly explained by changes in household composition brought about by ageing of the members

after entering the social housing project; for example, children leaving home, spouses dying or separating, grand parents moving in, and so on. It may also be partly explained by priority being given to non-elderly singles during the early 1990's.

3. TENANT SATISFACTION AND QUALITY OF LIFE

3.1 Key findings

1. Residents of the urban social housing programs are generally very satisfied with their homes, although rent supplement residents are substantially less satisfied than residents of other programs.

2. Urban social housing has successfully increased the adequacy and suitability of housing for its clients. In line with previous social housing evaluations, a substantial proportion of residents continue to have an affordability problem. The Urban Native Housing Program appears to have a substantial adequacy problem.

3. In addition to improving housing situations, the non-profit programs have markedly improved residents' social well-being as reflected in an increase in social networks, community involvement and personal feelings of security. The rent supplement programs had much more modest effects in these areas, while the Urban Native Housing Program outperforms the other programs on several indicators of emotional well-being.

4. Urban social housing has generally not provided its non-senior residents with incentives and opportunities to enhance their longer-term economic self-sufficiency.

3.2 Introduction

The outcomes of social housing programs for clients served are assessed using indicators such as tenants' satisfaction, improvements in housing conditions (based on core need indicators of housing adequacy, suitability and affordability), and related effects on tenants' quality of life (including their social and economic well-being).

The analysis of quality of life relies primarily on subjective data gathered through a national mail-out survey of social housing tenants and a comparative survey of 300 private rental market tenant households. These data indicate tenants' perceptions about their quality of life in their current housing and are frequently based on comparisons with previous housing.

3.3 Program impact on housing situation and on quality of life

A large majority of households in all programs report that their current dwelling is a better place to live than the previous one; less than half of the renter comparison group households made the same determination. Similarly, about one half of urban social housing households consider their current surroundings and housing management an improvement over their previous housing, compared with just over one in three renter comparison group households saying the same thing.

Table 3.1
Program impact on housing situation and on quality of life

	Non-profit (%)			Rent Supplement (%)		Urban Native (%)		Renter comparison group (%)
	'1973	'1978	'1986	'1973	'1986	'1978	'1986	
Perceived improvement in current housing								
Dwelling unit	65.1	64.8	74.8	60.1	65.7	65.6	76.1	42.7
Surrounding area	50.2	44.3	45.7	53.8	44.1	58.6	60.1	35.2
Housing management	53.1	60.2	59.8	48.2	56.8	51.8	54.5	37.5
Perceived improvement in overall quality of life since moving in								
Very much improved	54.8	45.1	46.1	50	42.6	46.1	52.7	27.4
Slightly improved	21.2	18.3	27.7	13.7	24.9	22.1	24.6	23.7
No change	19	28.9	19	25.7	20.8	26.1	18.6	38.1
Slightly worse	0.9	2.8	5.1	9.4	7.8	3.3	3.1	8.3
Very much worse	4.1	5	2.2	1.2	3.9	2.4	1.1	2.5

Sources: Urban Social Housing Resident Surveys, PED, CMHC, 1994.
Renter Comparison Group Survey, PED, CMHC, 1994.

Program clients also believe that their overall quality of life has been greatly improved by moving into their current dwellings. About one half of clients in all programs see their quality of life as having "very much improved" (a somewhat lower 43 percent in the 1986 rent supplement program), with between two thirds and three quarters reporting some improvement and from 4 to 12 percent reporting a lower quality of life. These findings are substantially more favourable than those for the renter comparison group, in which only about one quarter report their lives had very much improved and about half said there was some improvement.

3.4 Tenant satisfaction

Urban social housing clients are clearly satisfied with nearly all aspects of their housing as shown by their overall satisfaction ratings. A decisive majority of households in most programs chose the highest possible rating on a four-point overall satisfaction scale regarding their home (Table 3.2). The highest overall levels of satisfaction were found in the pre-1986 non-profit housing programs, where nearly two out of three tenants indicated they were very satisfied, with fewer than one percent expressing strong dissatisfaction. A very small proportion of clients of any of the programs express any dissatisfaction, and there are practically no strong expressions of dissatisfaction. The one program where clients showed only moderate levels of satisfaction was the 1986 rent supplement program. These tenants were significantly less satisfied than clients in any other program, including tenants in the renter comparison group. An unusually high 16 percent of these rent supplement tenants expressed dissatisfaction with their housing overall, and only a minority are very satisfied with their housing.

Table 3.2
Tenant satisfaction with home

	Non-profit Housing Program (%)			Rent Supplement Program (%)		Urban Native Housing Program (%)		Renter comparison group (%)
	'1973	'1978	'1986	'1973	'1986	'1978	'1986	
Overall satisfaction with home								
Very satisfied	60.8	65.4	55.9	54.6	40.9	53.7	60.3	44.7
Somewhat satisfied	33	29.9	35.9	32.6	43	36.1	31.6	48.4
Somewhat dissatisfied	5.4	4.3	7.2	9.5	13.7	6.2	5.8	6.2
Very dissatisfied	0.7	0.4	1	3.3	2.3	4.1	2.4	0.7

Sources: Urban Social Housing Resident Surveys, PED, CMHC, 1994.
Renter Comparison Group Survey, PED, CMHC. 1994.

Levels of dissatisfaction with the size and layout of their dwelling range from 1.9 percent in the 1978 Non-profit Housing Program to 14.5 percent in the 1978 Urban Native Housing Program, compared with 7.7 percent in the renter comparison group (Table 3.3). Nearly all urban social housing residents are also satisfied with the type of unit they have (for example, row house or apartment), with between 1.8 and 8.2 percent reporting dissatisfaction. Tenants also feel reasonably safe and secure in their homes; less than 17 percent of tenants in each of the programs express dissatisfaction, which is the same as or lower than the renter comparison group. Residents in the pre-1986 non-profit programs appear to be very satisfied with the level of privacy offered by their units (about 5 percent expressed dissatisfaction) while 1986 rent supplement tenants seemed to be more concerned with privacy in their dwellings (about 19 percent expressed dissatisfaction). In comparison, about 13 percent of the renter comparison group expressed dissatisfaction with their level of privacy.

Urban social housing tenants are about as satisfied with the area in which they live as members of the renter comparison group (Table 3.3). Twenty (20) percent or fewer residents indicate they are dissatisfied with neighbourhood safety, pollution and traffic, and children's play areas, while 6 percent or fewer are dissatisfied with density and crowding in the neighbourhood. As before, 1986 rent supplement tenants are generally less satisfied than pre-1986 non-profit tenants with their neighbourhoods, albeit they are about as satisfied with their neighbourhoods as tenants of private rental units.

Table 3.3
Households dissatisfied with physical attributes of dwelling and neighbourhood

	Non-profit Housing Program (%)			Rent Supplement Program (%)		Urban Native Housing Program (%)		Renter comparison group (%)
	'1973	'1978	'1986	'1973	'1986	'1978	'1986	
Dwelling								
Size and layout	6.8	1.9	8.3	5.7	8.3	14.5	9.2	7.7
Unit type	3.6	1.8	3.3	6.5	8.2	6.9	3.6	3.3
Protection from crime	9.2	7.9	9.8	13.7	16.9	16.2	16.6	16.3
Privacy	5.4	5.9	13.4	10.5	19	12.5	11.2	12.7
Neighbourhood								
Safety from crime	10.9	9.4	14.2	10	18.6	14.7	15.6	17
Pollution and traffic	17.3	13.9	15.7	13.8	22.7	20.7	17.7	18.4
Children's play areas	9.2	12.3	13.3	18.5	19.5	21.7	21.2	20.2
Population density	4.3	4.5	4.5	5.3	6.5	$	$	5.1

Sources: Urban Social Housing Resident Surveys, PED, CMHC, 1994.
Renter Comparison Group Survey, Program Evaluation Division, CMHC, 1994.

3.5 Housing adequacy, suitability and affordability

Since 1986, Canadian social housing policy has focused on three key housing problems: adequacy, suitability and affordability. The core need indicators of housing adequacy, suitability and affordability are used to assess how well social housing performs on these benchmarks (Table 3.4).

Adequacy

The adequacy ratings in this analysis are based on tenant's assessments of their unit's need for repairs. Chapter 4 sets out more detailed assessments of the physical condition of the portfolio.

Overall, relatively small proportions of residents of the non-profit and rent supplement portfolios have an adequacy problem. The non-profit portfolios demonstrate the fewest adequacy problems, with less than four percent of tenants in the 1986 and 1978 portfolios rating their dwellings to be in need of major repair, compared with nearly 10 percent of the renter comparison group. At about 10 percent, rent supplement tenants' ratings were the same as the renter comparison group. However, the Urban Native Housing Program appears to have a substantial housing adequacy problem, with nearly 20 percent of urban native tenants rating their dwellings to be in need of

major repair. Further, a majority of tenants in both the 1978 and 1986 urban native housing portfolios indicated that their units needed some type of repairs.

Table 3.4 Households with adequacy, suitability and affordability problems, by program

	Non-profit Housing Program (%)			Rent Supplement Program (%)		Urban Native Housing Program (%)		Renter comparison group (%)
Problem	'1973	'1978	'1986	'1973	'1986	'1978	'1986	
Adequacy	8.8	3.7	3.2	9.8	10.7	19.2	19.5	9.6
Suitability	7.1	8.3	6.1	4.3	4	9.7	14.3	8.3
Affordability	49.7	47.5	47.2	51.7	51	61.3	60.1	48

Source: Urban Social Housing Resident Surveys, PED, CMHC, 1994.

Suitability

Suitability (crowding) problems are not prevalent in the urban social housing programs. Between 4 and 8 percent of households in the non-profit and rent supplement programs have too few bedrooms; a somewhat higher 10 to 14 percent of urban native households have a suitability problem. The great majority of households in the non-profit and rent supplement programs have exactly the prescribed number of bedrooms, compared with about one half of urban native households.

When a household has more bedrooms than required under the National Occupancy Standards (NOS), there is an inefficient distribution of scarce social housing resources. The 1986 non-profit and rent supplement programs have relatively small proportions of tenants who have more bedrooms than prescribed by the NOS at 15 and 17 percent respectively. The 1973 non-profit and rent supplement programs are even lower at 7 and 12 percent. These low percentages may be explained by the inevitable changes in household composition and the occasional mismatch between a household's needs and the type of unit that happens to be available. However such is probably not the case for the one quarter of the 1978 non-profit housing program households, the thirty percent of the 1986 Urban Native program and the 42 percent of 1978 Urban Native program households who have more bedrooms than prescribed by the NOS.

Affordability

Based on tenants' self-reported income and shelter costs, about one half of clients in each of the non-profit and rent supplement programs have affordability problems, since they pay more than 30 percent of income for shelter. Among urban native households, an even higher 60 percent report an affordability problem. Correcting for tenant misreporting and welfare stipulations still results in about one in three social housing tenants having an affordability problem.

These findings are consistent with past social housing evaluations, where one third to one half of tenant households have shelter costs to income ratios exceeding the 30 percent threshold. A CMHC-commissioned study on affordability (Ekos, 1994) showed that although one quarter of apparent affordability problems could be attributed to inaccuracies in tenant-reported incomes and shelter (rounding and reporting of net instead of gross income, for example), about three quarters of those who claimed to have difficulty affording housing did in fact continue to have affordability problems. However, the high incidence of affordability problems can be attributed primarily to the following factors:

- in some provinces, RGI scales are set at the affordability threshold of 30 percent;
- the provincial shelter cost component of welfare benefits frequently stipulates a minimum rent that is more than 30 percent of the recipient's income;
- when tenants violate agreements to report and provide evidence of income, housing managers and landlords will frequently raise the rent to market levels;
- tenants do not always report reduced income immediately to their housing management;
- utility charges sometimes exceed prescribed allowances; for example, fuel costs will be high in winter; and
- it is often difficult to distinguish payments for energy used for heat (a basic shelter cost) from payments for energy for other uses, such as cooking and lighting (not counted as basic shelter costs).

The most widespread factor leading to affordability problems among social housing residents appears to be utility payments.

3.6 Social well-being

Community involvement and empowerment

The literature on quality of life consistently shows that quality of life is higher in environments where people have social relationships. Social interaction improves both emotional and physical health, and helps reduce social problems such as crime. In short, housing that promotes fulfilling social interaction improves quality of life.

Social housing may support an increase in social relationships in several ways. People with similar backgrounds who share experiences and live in the same housing project are likely to interact. The layout and management style of urban social housing might also foster interaction, and the stability of a long-term affordable home may encourage tenants to become active in the community. The combination of social interactions and security of tenure, and the resulting community ties, may enhance a tenant's sense of empowerment and feelings of well-being.

Several indicators have been developed to measure community interactions and attachments for urban social housing tenants and for a comparison group of private rental housing tenants. Indicators include the number of neighbours whose names tenants know, the number of memberships in community organizations per household and the extent of tenants' current involvement in the community (Table 3.5). The results were compared, with statistical controls for differences in key characteristics between the two groups, including income, education, household size, age of head of household, length of tenure in current residence, sex of head of household and number of parents in the household (Table 3.7).

Table 3.5
Impact of urban social housing on community involvement and empowerment

	Non-profit Housing Program			Rent Supplement Program		Urban Native Housing Program		Renter comparison group
	'1973	'1978	'1986	'1973	'1986	'1978	'1986	
Mean number of:								
Neighbours' names known	10.8	10.4	10.9	9.3	5.9	4.9	5.8	5.9
Neighbours talked to	13.3	10.1	9.6	10.3	5.8	4.4	5.5	7
Neighbours relied on	5.8	3.6	4.4	3.1	2.5	2.8	3	2.7
Memberships in community organizations	1	0.7	0.8	0.7	0.6	0.6	0.7	0.7
Percentage of households that, since moving into current housing:								
Increased use of social services	10.7	3.9	6.8	9.9	7.3	20.1	20.6	7.3
Feel more involved in the community	15	19.8	12.1	11.6	12.4	20.5	21.7	9.8
Include a member of a tenants' association	11.2	11	12.9	12.9	5.2	5.4	10.3	4.5
Include a member of a housing association	3.2	4.5	10.6	5.7	5.6	$	$	3.4
Have made more friends	32.2	31.8	26.8	23.7	20.3	30.8	37.7	17.4
Have more family time	16.9	16.8	16.1	14.4	19.1	54.9	46.2	11.1
Feel more secure	63.4	61.4	54.7	46.2	47.8	66	68.6	35.3
Feel more settled	50.5	46	48.1	39.9	41.4	76	75.6	34.3
Feel more independent	48.2	41.9	45.6	39.7	44.2	71.9	65.2	31.7

Sources: Urban Social Housing Program Evaluation Resident Surveys, PED, CMHC, 1994.

Tenants in the non-profit housing programs as well as the 1973 rent supplement program appear to have the greatest levels of social contact with neighbours, exceeding those of the renter comparison group (Table 3.5). Social contacts among the 1986 rent supplement tenants are

generally in line with and, in some cases, a little lower than the comparison group. As seen in Table 3.7, non-profit tenants were significantly more sociable with their neighbours than the renter comparison group based on two of three indicators, while rent supplement tenants with private sector landlords were no different on all three indicators. Urban native tenants were somewhat less likely than Aboriginal residents of other social housing to have social contacts with their neighbours.

Residents were also asked several more subjective questions concerning community attachment since moving into their current dwelling. Overall, relatively few tenants reported that they now feel more involved in their communities (20 percent or less) or that they are more involved in their housing organizations, either as members of a tenants' association or otherwise.

A minority of tenants (between one fifth and one third) reported that they had made more friends as a result of moving into their current housing. Although a minority of non-profit tenants reported any effects on these indicators of community involvement, a comparison of these findings with the renter comparison group survey indicates a positive and significant effect of moving into non-profit housing. There was no discernible effect for any indicators for rent supplement tenants.

In comparison with their non-profit and rent supplement Aboriginal counterparts, urban native tenants were apparently no more likely to increase their neighbourhood or community involvement as a direct result of the Urban Native Housing Program except on one indicator: urban native tenants were significantly more likely to report an increase in the number of friends they had since moving in. They were not, however, able to report any increase in the number of neighbours they knew or spoke to, or community organization or tenant association memberships, nor did they report feeling more involved in the community. This may arise from the program's predominance of scattered units.

Personal well-being

About one half of urban social housing tenants reported improvement in their personal well-being, indicated by feelings of personal security, stability and independence as a result of moving into their current homes, compared with about one third of the renter comparison group. Urban native tenants were generally more likely to report improvements in these areas. However, less than one in five non-profit and rent supplement tenants indicated that they now have more family time. Statistically controlled comparisons of these findings with the renter comparison group generally confirm the existence of positive effects of most indicators of personal well-being for each program compared with their respective comparison group, with tenants in all programs reporting greater feelings of security.

3.6 Economic enablement

Lately, the question of whether social programs should be or could be designed to equip people with the tools to become self-sufficient has received considerable government attention. The

public is concerned about the ability of social programs to give people the opportunities, supports and incentives they need to become self-sufficient.

In social housing, the issue is whether it should play a transitional role to help low-income people secure paid employment or better wages and, eventually, reduce their dependence on social programs. On one hand, having obtained decent, affordable housing, unemployed people may have also found the environmental, financial and social support they need to get jobs. On the other hand, having obtained decent housing for a price geared to their current, low income, employable tenants may have little incentive to strive for self-sufficiency and may, therefore, continue the cycle of dependence.

To find out whether the non-profit housing programs, as designed, encourage tenants to become self-sufficient, several indicators were developed as part of the resident survey. Tenants were asked whether their economic situation improved as a result of moving into their current housing. The survey results show that between 8 and 18 percent of non-senior non-senior tenants in the non-profit and rent supplement programs reported that they had acquired new skills, while between 10 and 22 percent reported that they had undertaken some form of training or education since moving into their current home (Table 3.6). Depending on the program and indicator, between 5 and 16 percent of non-senior tenants reported some improvement in their employment situation or in their incomes since moving into their current dwelling.

Table 3.6
Impact of urban social housing on economic enablement of non-senior tenants

	Non-profit Housing Program (%)			Rent Supplement Program (%)		Urban Native Housing Program (%)		Renter comparison group (%)
Households with members who have, since moving in:	'1973	'1978	'1986	'1973	'1986	'1978	'1986	
Acquired new skills	7.8	8.8	17.6	9.7	15.3	32.2	32.2	12.5
Received training or education	11	17.2	22.3	10.3	15.9	36.8	36.8	11.8
Taken a new or better job	9.1	11.8	9.4	8	9.2	19.6	19.6	17.4
Increased income	15.9	7.2	9.3	4.6	13.7	20.3	20.3	26.7

Sources: Urban Social Housing Resident Survey, PED, CMHC, 1994.
Renter Comparison Group Survey, PED, CMHC, 1994.

Responses to these questions were not statistically different from those of the renter comparison group (Table 3.7) when household size, household income, age, education, length of tenure, number of parents, sex of household head and presence of a member with a disability were controlled. Although urban native tenant responses were generally higher than those found in the non-profit and rent supplement programs overall, statistically controlled comparisons between urban native tenants and Aboriginal households in the two other programs revealed no significant differences.

Table 3.7
Statistical Relationships between program and comparison groups

	Non-profit	Rent Supplement	Urban Native
Comparison group used	Private sector renters	Private sector renters	Aboriginal households in non-profit housing and rent supplement programs
Dependent variables modelled			
Neighbours' names known	Non-profit higher	No difference	Urban native lower
Neighbours talked to	No difference	No difference	Urban native lower
Neighbours relied on	Non-profit higher	No difference	No difference
Memberships in community organizations	Non-profit higher	No difference	No difference
Increased use of social services	No difference	No difference	Urban native higher
Feel more involved in the community	No difference	No difference	No difference
Tenant association member	Non-profit higher	No difference	No difference
Work for housing association	Non-profit higher	No difference	-
Have made more friends	Non-profit higher	No difference	Urban native higher
Have more family time	Non-profit higher	Rent supplement higher	No difference
Feel more secure	Non-profit higher	Rent supplement higher	Urban native higher
Feel more settled	Non-profit higher	No difference	Urban native higher
Feel more independent	No difference	No difference	Urban native higher
Economic enablement indicators (non-seniors only)			
Acquired new skills	No difference	No difference	No difference
Received training or education	No difference	No difference	No difference
Taken new or better job	No difference	No difference	No difference
Increased income	No difference	Rent supplement lower	No difference

Source: Urban Social Housing Evaluation Resident Surveys, PED, CMHC, 1994.
Renter Comparison Group Survey, PED, CMHC, 1994.

Notes: Continuous variables were modelled using ordinary least squares regression; categorical response variables used logistic regression. All statistical tests are based on 95 percent two-tailed significance. The non-profit housing, rent supplement and urban native housing programs were all modelled separately. Household characteristics controlled for in the regressions are: household size, household income, age of maintainer, highest education of maintainer or spouse, length of tenure in years and dummy variables for single-parent households, households headed by women, households that include a person with a disability, and the control dummy. The dash (-) indicates where comparable information was not collected for both program and comparison groups.

These results suggest that, as currently structured, the urban social housing programs do not significantly increase the number of opportunities and incentives for non-senior tenants to strive for self-sufficiency.

4. HOUSING CONDITION, MAINTENANCE AND REPAIRS

4.1 Key findings

1. The physical condition of the housing under these programs varies considerably. Most non-profit housing is in good condition and has minimal repair requirements. Rent supplement housing is in a state of repair similar to other private rental housing. Urban native housing is in worse physical condition than other housing occupied by Aboriginal households who live off reserve or outside Aboriginal communities, and according to resident assessments, one in five of the units are in need of major repairs.

2. Mean unit repair requirements were lowest for non-profit housing (ranging from $402 to $783 per unit among the three programs), moderate for rent supplement housing ($907 per unit) and highest for the urban native housing (more than $2000 per unit).

3. Repair requirements vary by building type and method of development. For instance, unit estimates are two to three times higher in projects developed through acquisition and renovation than for newly constructed projects; they're also higher for ground-oriented housing compared with apartment-type buildings. Higher repair requirements in the urban native portfolio relate to the type of housing (mostly larger, family units with a higher proportion of acquired properties than in the non-profit portfolios).

4. Most non-profit and urban native housing projects have replacement reserves to cover the cost of major repairs. Replacement reserve fund holdings of non-profit projects average $1285 per unit for the 1973 program and $1799 for the 1978 program. Replacement reserves of urban native sponsors were similar, averaging more than $1300 per unit in both programs. Public non-profit projects are much less likely to have reserves than private sponsors because several provinces have special provisions for funding repairs.

5. Replacement reserves exceed current repair requirements for 85 percent of private non-profit units and 33 percent of urban native housing units. These data indicate a satisfactory provision for repairs in the short- and medium-term in non-profit housing but more information on the long term repair requirements would be needed to assess whether the repair reserves will be adequate in the long term or not.

4.2 Introduction

Canadian social housing programs are intended to provide housing that is maintained in good physical condition, including adequate repairs over the longer term to provide housing for Canadians in need in years to come. When social housing projects are developed, either through new construction or through acquisition and renovation, they must meet applicable building code and health and safety standards. Once the housing is in operation, the housing sponsor groups in the non-profit and urban native programs and the landlords in rent supplement programs are

responsible for the regular maintenance of the housing to keep it in a good state of repair. The costs of maintenance are covered from the project revenues as part of operating budgets.

In addition, project operating agreements generally require non-profit and urban native housing sponsors to set aside *capital replacement reserve funds*. Such funds are intended to accumulate necessary monies for major repairs and replacements in the future. Some provinces that administer non-profit portfolios have different policies that allow for capital replacement funding as needed instead of requiring reserve funding. Private landlords are expected to make their own provisions for major repairs as part of operating their rental portfolios.

Replacement Reserve Funds

Operating agreements for Non-profit and Urban Native housing projects require that sponsors make regular contributions to a replacement reserve fund for major capital repairs. Such contributions are recognised as eligible operating expenses. Reserve fund balances plus accumulated interest must be invested and administered separately from other cash assets and may be used only for major repairs.

The evaluation considered two general questions:

- Is urban social housing in adequate physical condition and being regularly maintained?
- In the future, will non-profit and urban native housing projects have enough funding for major repairs?

These two issues are related because deferral of regular maintenance can lead to major repairs. Assessment of these issues is therefore not simply a question of measurement. For example, delaying maintenance of physical systems to allow planning and scheduling of repairs at the same time may be sound management practice. If major repairs can be paid for through other means (short-term borrowing, other grants or fund-raising) when they arise, funding of small reserves may also reflect sound financial management. The need for large capital reserve funds in projects funded under the 1986 non-profit and urban native programs is also questionable, since they are fully subsidized. Some provinces (for example, Ontario and New Brunswick) have had moratoria on reserve funding for parts of the portfolios they administer.

In the longer term, non-profit and urban native projects will be mortgage-free and will no longer receive program subsidies nor be governed by the terms of an subsidy agreement with a federal or provincial government housing agency. They will therefore operate independently, using rental revenues, project equity, accumulated replacement reserve funds and other community resources to finance all operations and capital replacements.

Given the many factors associated with maintenance and major repairs, the planning and financing of these activities are a major consideration for the non-profit and urban native sponsor groups.

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4.3 Physical condition of the portfolios

The evaluation found some differences in the current physical condition of the housing among these programs. The indicators suggest that non-profit housing is in good physical condition and well maintained, generally at a higher level than the private rental stock. Rent supplement housing appears to be in a state of repair similar to private rental housing. Measured by tenant assessments of major repair need, urban native housing is in worse physical condition than other social housing portfolios, and is somewhat worse than the housing occupied by Aboriginal households in the private rental market as reported in the 1991 Aboriginal Peoples Survey. Nearly one in five urban native tenants rated their dwellings as being in need of major repairs (Table 4.1).

Table 4.1
Condition of housing and per-unit cost of repairs

	Non-profit Housing Program			Rent Supplement Program		Urban Native Housing Program	
	'1973	'1978	'1986	'1973	'1986	'1978	'1986
Condition of housing (%):							
According to tenants							
Need major repairs	8.8	3.7	3.2	9.8	10.7	19.2	19.3
Need minor repairs	17.3	13.7	15.8	21.2	27.9	35.7	31.5
According to CMHC inspectors							
Meet minimum property standards	100	97.8	99.4	-	95.8	96.2	96.8
Per-unit repair cost ($)							
Mean per-unit repair cost	783	489	402	-	907	2,337	2,155
Repair cost by building type ($)							
Horizontal	-	881*	812	-	-	2,480	2,431
Vertical	-	472*	389	-	-	957	790
Repair cost by development method ($)							
Acquired newly constructed	-	526*	394	-	-	1,611	746
Acquired existing	-	749*	862	-	-	2,456	2,783

Sources: Urban Social Housing Evaluation Resident Surveys, PED, CMHC, 1994.
Physical Condition Survey, PED, CMHC, 1994.

* Mean for pre-1986 non-profit housing.

Consistent with these assessments, non-profit tenants are more likely than tenants in the other programs to be very satisfied with their dwelling's state of repair. About two thirds of non-profit tenants were very satisfied compared with about half of rent supplement tenants and about a third of urban native tenants.

CMHC inspections at the project level showed that more than 95 percent of the portfolios under all three programs meet minimum property standards. Inspectors' estimates of mean per-unit repair requirements range from $402 per unit in the 1986 non-profit portfolio to $2337 in the 1978 urban native stock. The repair estimates for all the non-profit programs are the lowest of any estimates found in recent program evaluation studies.

Regular maintenance of non-profit and urban native housing is undertaken by the sponsor groups with operating revenues as part of annual project operating budgets. Analysis of 1994 project operating statements (see Chapter 6) showed that average per-unit maintenance expenditures in urban native housing were considerably higher than those for non-profit units as a whole, as well as for family-type non-profit housing ($1,273 and $1,403 per unit in the 1978 and 1986 urban native projects compared with $959 and $621 per unit in family-type non-profit housing under the 1978 and 1986 programs, respectively). Therefore, differences in current repair requirements are not readily attributable to levels of maintenance expenditures in the two portfolios.

In the project management surveys, urban native groups were two to three times as likely as non-profit groups to identify difficulties with maintenance and repairs as a management problem (see discussion in Chapter 5). More specifically, urban native sponsors identified poor conditions in acquired buildings and deferred maintenance as key factors contributing to financial difficulties in their operations. Data on the 1986 portfolios shows that nearly half of urban native units were in buildings that were already built when acquired, compared with 7 percent in the 1986 non-profit program. As well, urban native units tend to be larger, family dwellings that are scattered rather than concentrated in a single project. Other data from the evaluation revealed that urban native housing has higher tenant turnover than other social housing and, with its larger households, is likely to undergo more wear and tear.

Given the differences in the types of housing provided under the urban native programs (that is, larger, scattered dwellings in acquired buildings), and the larger tenant households and higher tenant turnover than in non-profit housing, it is not unreasonable that urban native housing has greater repair requirements than non-profit housing. Although urban native housing sponsors spend more per year on maintenance than non-profit sponsors spend for family-type housing, there is a bigger backlog of repair requirements in urban native than in non-profit housing.

4.4 Replacement reserve funds

As well as regular maintenance, non-profit and urban native housing groups are responsible for planning and undertaking major work on buildings and systems as necessary, and for ensuring that adequate monies are accumulated in capital replacement reserves for these purposes.

Most non-profit and urban native housing units are in projects that have replacement reserve funds set aside to cover future costs for major capital items. According to CMHC data for the portfolio it administers, nearly two thirds of non-profit units and almost three quarters of urban native units were in projects with replacement reserves in 1995 (Table 4.2). Private non-profit projects were more likely to have replacement reserve funds (more than 80 percent) than public non-profit projects (about one third) because several provinces have special provisions for capital

funding of repairs for public non-profit projects so that they are not permitted to accumulate reserves.

The replacement reserve funds averaged about $1,300 per unit in urban native projects (1978 and 1986) and the 1973 non-profit projects, and nearly $1,800 per unit in the 1978 non-profit projects. Replacement reserves fluctuate from year to year because major capital projects may be funded and additional monies are added to the reserve funds from annual operating budgets. According to operating cost data (see Chapter 6), urban native projects contribute higher amounts than non-profit projects to their replacement reserves each year, an average of $460 per unit (1978 program) and $534 per unit (1986 program) compared with $173 to $300 per unit in the non-profit programs.

Table 4.2
Replacement reserve funds for non-profit housing and urban native housing programs, 1994

	Units in projects with replacement reserve funds (%)	Average per-unit replacement reserve fund balance ($)
1973 Non-profit Housing Program	69.9	1,285
Private sector sponsor groups	80.8	1,446
Public sector sponsor groups	34.7	763
1978 Non-profit Housing Program	59.9	1,779
Private sector sponsor groups	81.9	2,177
Public sector sponsor groups	33.6	1,305
1978 Urban Native Housing Program	67.2	1,310
1986 Urban Native Housing Program	78.1	1,353

Source: CMHC administrative files, January 1996.

Notes: Includes only units in projects for which 1994 financial statements had been approved by January 1996. Includes only projects administered by CMHC, i.e., pre-1986 non-profit projects and most urban native projects outside Quebec. Data from 1994 were selected for comparison with repair requirements data from the 1994 Physical Condition Survey.

Current reserves and repair requirements

Without data on life-cycle costing of building elements, it is impossible to assess the adequacy of reserve funds to pay for major capital items beyond the next 10 years. Given that much of the stock is 15 to 20 years old, however, it is possible to assess whether repair and replacement needs were adequately provided for up to 1994 (when projects were inspected for the physical condition survey). This approach may underestimate future reserve fund needs because major repair needs may increase more quickly as buildings get even older.

About 33 per cent of Non-profit projects have no replacement reserves. For those projects that do have replacement reserves, 15 percent have less funds in their replacement reserve than their current repair costs, an average of $2,113 per unit below current requirements (Table 4.3).

Eighty five percent have more funds in their replacement reserves than their current repair requirements, an average of $2,288 per unit above current requirements.

About 25 per cent of Urban Native projects do not have replacement reserves. For those projects that do have replacement reserves, 66 percent have less funds in their replacement reserve than their current repair costs, an average of $2,158 per unit below current requirements. Thirty four percent have more funds in their replacement reserves than their current repair requirements, an average of $1,523 per unit above current requirements.

In both the non-profit and urban native portfolios, projects with replacement reserve balances exceeding current repair needs are those with substantial reserves and low repair needs.

Table 4.3
Comparison of replacement reserve fund balances and repair estimates, 1994

	Non-profit projects with private sector sponsors		Urban native projects	
Of projects with replacement reserve funds:	**Percentage of units**	**Estimated cost per unit ($) +/(-)**	**Percentage of units**	**Estimated cost per unit ($) +/(-)**
Projects with reserve fund balances greater than repair estimates	84.5	2,288	33.8	1.523
Projects with reserve fund balances lower than repair estimates	15.5	(2,113)	66.2	(2,158)

Sources: CMHC administrative files, 1994.
Physical Condition Survey, 1994.

Notes: Includes only units in projects for which both Physical Condition Survey data and 1994 replacement reserve fund balances were available. Includes only projects administered by CMHC, i.e., pre-1986 non-profit projects and most urban native projects outside Quebec. Includes only units in projects for which 1994 financial statements had been approved by January 1996.

To put the replacement reserve fund situation into perspective, the private non-profit reserve fund amounts are only about twice the amount of annual maintenance expenditures per unit for non-profit housing. The totals are, therefore, small in comparison with annual cash flows.

In summary, about 10 per cent of non-profit projects and 50 per cent of urban native projects have inadequate replacement reserves and 33 per cent of non-profit projects and 25 per cent of urban native projects have no replacement reserves. Therefore, as many as 40 per cent of non-profit projects and 75 per cent of urban native projects may not be able to cover current repair costs.

Future replacement reserve requirements

The adequacy of replacement reserves to meet future repair requirements is difficult to assess quantitatively. However, sponsor groups, project managers and CMHC portfolio managers - that is, those most knowledgeable about these housing programs - expressed concern about the adequacy of replacement reserve funds in some non-profit and urban native projects. Nearly half of sponsor groups in both non-profit and urban native portfolios felt that their replacement reserves would not be adequate to meet repair needs over the next 10 years. Some urban native sponsors raised concerns about how they will meet repair expenses after mortgages are paid off and program subsidies cease.

Therefore, although not enough quantitative information was available to assess whether there are sufficient reserve funds available to cover future repair costs, the qualitative findings suggest that there may be some concerns in this respect regarding the non-profit and urban native housing portfolios.

5. HOUSING MANAGEMENT

5.1 Key findings

1. CMHC portfolio managers consider about 80 percent of CMHC-administered non-profit sponsors and 65 percent of urban native sponsors as having either high or adequate levels of management expertise. Critically serious management problems were perceived for about one in 10 non-profit sponsors and about one in six urban native sponsors.

2. Fewer than one half of project managers reported any difficulty in any particular management area and fewer than 10 percent reported serious difficulty in any area. Managers in older program versions were more likely to report repair and maintenance problems while managers of 1986 program projects were more likely to report rent collections as a problem. Rent collections were seen as an especially significant problem in the Urban Native Housing Program.

3. CMHC portfolio managers reported that about 11 percent of the CMHC-administered portfolio of non-profit projects had experienced financial difficulties within the previous five years, while about 5 percent had difficulties serious enough to warrant a full "workout process." A significantly higher proportion of project managers reported experiencing some type of financial difficulty within the previous five years. A reduction in subsidies when mortgages are renewed at lower interest rates was raised as a serious long-term concern by some portfolio managers for the 1978 Section 95 non-profit portfolio. Poor project management, local housing market conditions, and building condition and suitability problems were also seen as factors contributing to financial difficulties.

4. A majority of non-profit and rent supplement property managers reported that they were generally satisfied with all aspects of their respective programs, while about one half of urban native housing managers were generally satisfied. The most prevalent concern of urban native and non-profit managers was the perceived inadequacy of training available for staff or board members. One third of managers in those two programs reported some level of dissatisfaction with training. Rent supplement landlords were most likely to report difficulties in the tenant selection process.

5. Urban social housing tenants are no more likely to be involved in the management of their housing than are tenants in private rental housing. Types of involvement include participating in tenant associations or boards (although in Ontario, tenant representation on the board is a requirement of the 1986 Non-profit Housing Program).

5.2 Housing management: Organization and objectives

The social housing programs being evaluated are delivered either through the non-profit sector or the private sector.

Non-profit and urban native housing is owned and operated by non-profit housing corporations with volunteer boards of directors. These corporations rely on the unpaid expertise of board members to manage the corporate assets. Historically, the non-profit housing sector developed from charitable, voluntary or community-based groups. As the so-called third sector in the housing field, private and Aboriginal non-profit housing corporations independently own and manage their housing projects. Today, the non-profit housing sector (as distinct from the co-operative housing sector) includes small and medium-sized private, charitable corporations, as well as larger, publicly owned and operated housing companies.

Private rental housing is owned and operated by landlords. The majority of landlords participating in the rent supplement programs are private landlords. In the 1986 Rent Supplement Program, more than 70 percent are individual owners who manage their own rental housing projects; the rest are development or investment companies or non-profit housing corporations. Because of differences in program design, the 1973 Rent Supplement Program involved a higher proportion of public and private non-profit housing corporations, 28 percent compared with 5 percent in the 1986 program. Survey data show that rent supplement landlords have medium-sized portfolios, averaging 300 rental units in the 1973 program and 100 units in the 1986 program, operate from five to seven rental properties, and provide about 10 percent of their rental portfolios as rent supplement units. Rent supplement units have become dispersed among more landlords, with fewer landlords with large portfolios participating in the 1986 program.

Non-profit and for-profit housing managers had different objectives and different reasons for participating in social housing programs. The primary motivation of landlords participating in the rent supplement program (most of whom were private rental entrepreneurs) was to ensure that their units were occupied and that they had access to satisfactory tenants. More than half also said that they participated in order to provide low-rent housing. On the other hand, more than 90 percent of urban native sponsors gave their primary objective as providing housing for low-income households. Sixty six (66) percent of non-profit sponsors ranked providing low income housing as their most important goal and just over 60 percent of the 1973 non-profit program sponsors reported that providing housing for groups with special needs, including seniors, was their main goal.

Management approaches

About 70 to 85 percent of sponsors in the non-profit portfolio employ either full-time or part-time paid managers, while urban native sponsors use only paid managers. Nearly 32 percent of sponsors in the 1973 non-profit program use volunteers or other forms of management, setting this portfolio apart from the others. Non-profit and rent supplement organizations are slightly less likely to purchase management services than urban native sponsors.

Table 5.1 Management organization							
	Non-profit Housing Program			Urban Native Housing Program		Rent Supplement Program	
Percentage of projects with:	**'1973**	**'1978**	**'1986**	**'1978**	**'1986**	**'1973**	**'1986**
Full-time paid managers	45.4	55.2	64.4	100	91.4	-	-
Part-time paid managers	22.9	29.6	21.4	-	8.6	-	-
Volunteer managers and other management arrangements	31.7	15.2	14.2	-	-	-	-
Total	**100**	**100**	**100**	**100**	**100**	-	-
Management services purchased commercially	65.3	57.1	59.9	70.9	70.7	62.3	48.3
Source: Urban Social Housing Evaluation Project Management Surveys, PED. CMHC, 1994.							

Tenant involvement

Tenants of non-profit housing are not as involved in housing management as residents of co-operative housing, but they are formally involved through representation on boards and committees, and through tenant associations, and they contribute informal input to their housing management. The evaluation examined the degree and nature of tenant involvement in non-profit housing as a contribution to successful management.

Although tenants' activities in non-profit housing operations vary, most non-profit projects reported some tenant involvement in areas such as social or recreational programs, maintenance of grounds and common areas, membership on boards of directors, and security. About half the non-profit sponsors reported tenant associations in their housing projects. Tenant involvement through membership on boards of directors is less prevalent in the 1973 and 1986 programs than in the 1978 program.

The non-profit resident survey and the case studies suggest that tenants are not extensively involved in housing management. The resident survey investigated how much more involved tenants were in managing their housing (such as participating in a tenants' association or working for their housing association) than they were in their previous dwelling. Only 10 percent of non-profit tenants reported more involvement in a tenants' association, and 3 to 10 percent reported current paid or volunteer work for the housing association.

The case studies concluded that:

- tenants' formal roles in the management of their housing was limited;

- many housing projects especially seniors' projects, had tenants' associations; these associations were most concerned with organizing social activities, but some also handled tenant concerns; and

- some non-profit housing projects consulted tenants more and others were less likely to seek tenants' views; the consultative management style of some public non-profit projects seemed to be resented by tenants as too intrusive, whereas a similar style in a private non-profit project seemed to appeal to the tenants.

The case study report noted that, in the public non-profit projects studied, tenant involvement in management was minimal. In most of the private non-profit projects studied, the sponsor organizations reported having tried to involve tenants but had little response. However, private sponsor groups continued encouraging participation through newsletters and announcements, and fostering communication between the tenants and management.

Therefore, these findings indicate that, although tenants may serve on boards of directors or committees in many non-profit projects, their involvement or interest in managing their housing is generally limited. With the increased use of professional managers, the management style of non-profit housing is coming to more closely resemble the management style of public housing than that of co-operative housing.

In the urban native portfolio, 42 percent of 1986 program sponsors report that tenants belong to a tenants' association.

Eleven percent of rent supplement landlords reported that rent supplement tenants are involved in some capacity in running their rental housing and that tenants belong to a tenants' association that the landlords deal with. Tenants in the 1973 program are twice as likely to be involved in their housing management or a tenant association. This may result from the higher proportion of public and private non-profit landlords in the 1973 program, who may encourage tenant participation. Ten percent of rent supplement landlords reported that their organization includes tenant relations staff. Most landlords have no specific tenant relations positions but said that the staff or management handles tenant relations. Generally, staff are most involved with tenants for maintenance calls, resolving disputes, and dealing with difficulties between management and tenants.

Urban Native Tenant Counselling

Most Urban Native sponsors employ either tenant counsellors or staff with counselling responsibilities. Sponsors average between two and three full-time counselling staff and make use of part-time staff and volunteers.

Tenant counselling is a major responsibility of urban native sponsors. Some sponsors reported that all staff, not just counsellors, share the responsibility. The sponsor survey examined the work of counsellors and other staff to determine how counselling services are delivered. For most urban native sponsors, counsellors spend much of their time with tenant selection, dispute resolution, housing issues and home visits. More than 40 percent also spend a great deal of time in administration, promoting self-help, and counselling on living and working in the community. Administrative staff spend a great deal of time in general administration, maintenance, dispute resolution and tenant selection. Although the work of counsellors and administrative staff

inevitably overlap, they use their time differently. Tenant counsellors are preoccupied with tenant-related concerns while the work of other staff relates more to project management.

Management expertise

Management expertise was measured by the years of housing management experience and by the incidence of managers holding the designation of Certified Project Manager (CPM). In addition, CMHC portfolio managers were asked to assess the non-profit and urban native project managers that they deal with regularly. [2]

Table 5.2 Management experience

	Non-profit Housing Program			Urban Native Housing Program		Rent Supplement Program	
	'1973	'1978	'1986	'1978	'1986	'1973	'1986
Sponsors employing Certified Property Managers (%)	12.8	21.5	22.4	12.5	3.2	4.8	5.2
Average number of years managing this property	9.2	10.8	8.5	5.7*	5.7*	10.7	16.8
Average number of years managing other property	16.8	18.4	18.1	8.1*	8.1*	13.6	13.5

Source: Urban Social Housing Evaluation Project Management Surveys, PED, CMHC, 1994.

* Average for all sponsors of urban native projects (not program-specific).

The non-profit portfolio has the highest number of CPMs; 13 to 24 percent of non-profit managers hold the designation. About 8 percent of urban native managers and 5 percent of rent supplement managers are CPMs.

Non-profit and rent supplement managers generally have comparable experience - 25 or more years in their current and previous housing management jobs. Urban native managers have less than 14 years of experience.

In assessing the management expertise of urban native and non-profit sponsor groups, CMHC portfolio managers most often rated management skills according to the qualifications of board members, board continuity, qualifications of paid staff, the extent to which the housing group was linked with other community or Aboriginal organizations, and past management problems such as financial difficulties.

[2] Note: the results of the CMHC portfolio manager survey do not apply to projects with units subsidised under the Rent Supplement Program nor to approximately half of the projects financed under the 1978 Non-profit Program nor to most of the projects financed under the 1986 Non-profit program as these are administered by the provincial and territorial housing agencies. Provincial and territorial portfolio managers were not surveyed for the evaluation study.

CMHC managers consider about 80 percent of non-profit sponsors with which they deal regularly to have high or adequate levels of management expertise, compared with 65 percent of urban native sponsors. Of the 20 percent of non-profit sponsors and 35 percent of urban native sponsors with weak management, about half of each group were considered to be critically weak.

CMHC managers identified three factors as generally separating strong from weak management in both programs. Sponsors with large portfolios employ better trained, more experienced staff and tend to get better managerial results. Sponsors that are well connected to their communities and that have access to large numbers of committed, trained volunteers for board positions also do well. The third factor related to the characteristics of program clients and the housing stock. Senior citizen projects are thought to be easier to manage than family projects in terms of wear on units and ease of rent collection. Also, newly constructed buildings in concentrated projects are simpler to manage than are small, scattered, rehabilitated buildings.

The sponsors with these qualities are the large, municipal non-profit housing corporations, certain larger private non-profit sponsors, particularly those that concentrate on senior citizen housing, and the larger, older urban native sponsors. Poorly managed sponsors tend to be smaller, more isolated or independent non-profit corporations, those that undertook complicated rehabilitations of small, old buildings, and urban native sponsors with small portfolios. The urban native focus on providing family housing through scattered, rehabilitated, detached housing suggests that these groups have a harder management task to begin with.

5.3 Management problems

Sponsors of urban native and non-profit housing and landlords participating in the Rent Supplement Program were all asked to identify the types of problems they encountered in managing their portfolios. CMHC portfolio managers were also asked about their perceptions of management problems for those Non-profit and Urban Native projects with which they deal regularly.

According to non-profit sponsors, the key management challenges facing this type of housing are major repairs or improvements, maintenance and upkeep, high tenant turnover, tenant relations, and rent collection. Between a third and a half of non-profit sponsor groups reported difficulties in these areas but generally less than 10 percent reported "great difficulties." Non-profit sponsors in the 1986 program were somewhat more likely to report rent collection difficulties than other non-profit sponsors. Managers of 1973 projects reported greater problems with major repairs, probably because of the age of the buildings in this portfolio.

Urban native sponsors reported the same problems, but rent collection was most frequent with more than 77 percent of the portfolio being affected. It may be that this program's focus on tenants paying rents geared to their incomes creates rent collection difficulties. However, portfolio managers suggest that urban native sponsors sometimes fail to deal with rent arrears promptly, and that a more businesslike collection of arrears would improve their financial situation.

CMHC portfolio managers identified the major management difficulties facing the private non-profit and urban native sponsors with which they deal regularly as maintenance and repair planning and board functioning and continuity. CMHC managers also identified cash flow problems. For non-profit sponsors, particularly those in the older programs, many projects have vacancies partly because of loose rental market conditions and partly because of weak marketing of units for unsubsidized tenants. With the reduced subsidies for 1978 projects when interest rates fall, these projects feel a cost - revenue squeeze. CMHC staff noted that public non-profit projects generally do not encounter these types of difficulties because they are part of larger organizations with access to more expertise; they can also sometimes obtain more funding for maintenance and repair projects.

Most rent supplement landlords report no management difficulties in relation to the rent supplement programs. Less than 10 percent of landlords report great difficulties in a few areas, most notably in tenant selection and rent collection. Landlords in the 1986 program have somewhat more difficulties with tenant selection than do landlords in the 1973 program. Somewhat higher proportions of landlords in the 1973 program report great difficulties with security and dealing with government agencies.

Financial problems

CMHC portfolio managers reported that about 11 percent of non-profit projects in their portfolios had experienced financial difficulties in the past five years (e.g. expenses rising faster than revenues, higher repair and maintenance costs than planned, low revenues because of turnover, vacancies, etc.). Most of these projects were financed under the 1978 program. This contrasts with the 44 to 58 percent of non-profit and urban native sponsors themselves who reported some financial difficulties in the past five years.

Ten to 25 percent of non-profit and urban native sponsors reported current difficulties with financial management. Further, nearly half of CMHC's portfolio managers reported that private non-profit groups have difficulties with financial management. Financial management difficulties were seen to be increasing as budgets became tighter, projects aged and needed more work and revenue growth became more limited (high vacancies and generally loose market conditions made it impossible to increase rents in some markets). While financial management was the second most often cited area of difficulty for Private Non-profit groups, it was only the fourth most often cited area of difficulty for Urban Native groups.

According to CMHC portfolio managers, nearly 5 percent of non-profit sponsors have had projects involved in the financial "workout process" (a formalized process where CMHC works with sponsors to try to reduce serious financial problems) in the last five years and more than half of the managers reported an upward trend in the number of workouts being undertaken.

An internal CMHC study undertaken in the early 1990's identified 75 projects already subject to workout and another 103 which might eventually encounter financial difficulties, representing approximately 3.6 percent and 5 percent respectively of the total portfolio (8.6 percent of the

portfolio in total). The study predicted that the mortgages on about 33 of these projects would be foreclosed, leading to a claim on the Mortgage Insurance Fund (MIF). The study estimated that the potential total costs to the MIF of these actual and potential workouts and foreclosures would be less than the total mortgage insurance premiums received.

Few projects ever reached the point of total financial collapse. For example, mortgage insurance claims were paid on less than 1000 units under the 1978 Non-profit Housing Program. Four projects from the 1973 non-profit program defaulted on their mortgages held by CMHC since 1990. Such losses from financial failure are a very small proportion of the total social housing portfolio. Note however that this result is in part due to the willingness of CMHC to assist financially troubled projects before they become a claim on the Mortgage Insurance Fund.

Because the post-1985 Non-profit Program and the Urban Native Housing Program fund the difference between operating costs and rent revenue, post 1985 Non-profit projects and Urban Native Housing Projects do not face the same potential for financial problems as the Pre 1986 Non-profit projects. Financial problems are usually cash flow problems or high operating costs rather than defaulted mortgages or failed and reorganized housing projects. Financial management problems in urban native housing were related to several factors, but a recurring theme was the program's lack of incentive to manage projects economically. A third of CMHC portfolio managers reported instances of high administrative costs, high remodelling costs or revenue - expenditure shortfalls related to high rent arrears. Such projects may not be in danger of default, but they are experiencing financial management problems.

CMHC portfolio managers identified four factors in non-profit and urban native housing contributing to financial problems:

- market-related factors, including high vacancy rates and depressed rents, competition from private rental housing, and local economic distress (high unemployment and job losses);
- management-related factors, including unskilled board members and high turnover of board members, inadequate planning, and deferred maintenance that leads to expensive emergency repairs;
- project-related factors, such as units that are too small or too large for typical client households, poor-quality buildings, ageing or outmoded buildings, poor design, poor location and location in small, rural centres; and
- program-related factors, such as subsidy cuts on mortgage renewal, especially in projects financed during periods of high inflation, and regulations that prevent sponsors from pool-financing projects.

5.4 Sponsor satisfaction with urban social housing programs

The government agencies responsible for program administration varies among the non-profit and urban native programs. Generally, CMHC is the agency responsible for the 1973 and 1978 non-profit programs and most of the urban native program. Provincial or territorial government housing agencies are responsible for most of the 1986 non-profit and rent supplement programs.

Rent supplement landlords are generally satisfied with the programs. Two thirds of the landlords said they were very satisfied with the cash flow of subsidies. Half of the landlords said they were very satisfied with the ongoing staff support and information available from the government agencies. Seventy percent said they have no difficulty dealing with the government agencies involved in the programs. Landlords were somewhat less satisfied with the operational aspects of the programs such as tenant selection, but even here about 80 percent were at least somewhat satisfied.

About half of urban native sponsors indicated having some difficulty in their relations with CMHC and provincial housing agencies. However, they expressed little dissatisfaction with technical management support, cash flow, administrative support or tenant selection.

The main area of sponsor dissatisfaction with the urban native and non-profit programs was training. Further, while the portfolio managers from CMHC who were surveyed for the evaluation reported that considerable training had been undertaken by CMHC in the past five years, they also reported that the sponsors needed and had requested more training.

Training is not offered consistently across Canada by CMHC, but this is not necessarily a problem because different regions may need different training. CMHC's main training priorities are board orientations, financial planning, and repair and rehabilitation planning. Several CMHC managers suggested that sponsors should identify their own training needs rather than having CMHC develop the training plans.

6. OPERATING COSTS OF NON-PROFIT AND URBAN NATIVE HOUSING

This chapter examines the program costs for the non-profit and urban native programs, and where relevant, compares the programs.[3]

Averages of project cost elements are compared to show the diversity of project costs. Project costs are also analyzed along several factors that other work suggests may be influential. Costs of the highest-cost and lowest-cost projects are examined to determine the elements that elevate their costs, and whether they will continue to be unduly high. Finally, operating costs of non-profit and urban native units are compared with benchmark costs for market-rent urban housing projects.

6.1 Key findings

1. Average operating costs for the 1973 Non-profit Housing Program were $6,892 compared with $8,693 for the 1978 program and $9,692 for the 1986 program. Higher costs in the later programs are attributable to differences in mortgage costs (reflecting original capital costs), since maintenance, administration and replacement reserve costs are actually higher in the earlier programs. All average cost components of the 1986 non-profit program were within CMHC multiple underwriting norms for private rental properties in all of the five major urban centres studied. The pre-1986 programs exceeded the norms in two of the five metropolitan areas, with their maintenance costs exceeding the norm in all centres.

2. Average operating costs for the 1978 Urban Native Housing Program in 1994 were $11,420 compared with $14,108 for the 1986 program. All cost components are higher under the 1986 program, most notably mortgage costs and utilities. All average cost components (net of replacement reserves) of both urban native programs exceeded the CMHC multiple underwriting norms for private rental properties in three of the four major urban centres studied. The funding of a tenant counsellor position, a feature of the urban native programs, helps to elevate administration costs.

3. Variations in per unit total costs among projects were explained largely by variations in factors over which the project managers had no control, such as mortgage costs, property and other taxes (non-profit) and to some extent maintenance (non-profit and urban native programs) and utilities (urban native programs). The large variation in administrative and, in some projects, "other costs" under the 1973 non-profit program indicate that some groups may be able to manage costs significantly better, where costs relate to housing management rather than other services.

[3] Because the cost analysis required as much data as possible, the data were not restricted to projects operating by the end of 1991; the cost analysis also included some projects under Section 26 NHA, which preceded the 1973 non-profit program. If the pre-1973 data are dropped, however, the conclusions of the analysis related to the 1973 program do not change significantly.

4. Many non-profit and urban native projects now operating at high cost are likely to continue to do so because their costs are primarily driven by mortgage costs.

5. The 1986 versions of both programs are directed only to households in core housing need, and government subsidies make up the difference between operating costs and the 25 to 30 percent of income tenants pay in rent. Under the earlier non-profit and urban native programs, subsidy requirements are substantially lower because of lower operating costs and, in the 1978 non-profit program, higher rent revenues because of the income mixing requirements of this program.

6. The key factors underlying differences in subsidy costs are the initial gap between market rents and operating costs, as well as relative growth rates of rents and costs in each program over time. Typically non profit subsidy costs are initially higher than rent supplement subsidy costs, but fall below rent supplement subsidy costs over time. Studies which compare subsidy costs in nominal terms often give the advantage to the non-profit program while studies which discount future subsidy costs generally give rent supplement the advantage.

6.2 Elements of per-unit cost

Table 6.1 presents the national, mean average, per-unit, annual costs for elements of the programs and revenue sources. Provincially disaggregated data are not in this table, but provincial and territorial variation in cost items was analyzed.

Total costs were generally highest under the 1986 non-profit program, at a national average of $9,692 per unit followed by the 1978 program ($8,693) and the earlier program ($6,892). Mortgage payments were the major cost element for the 1986 program (64% of total costs, on average) and for the 1978 program (52% of total costs), but a relatively minor cost element for the 1973 program (20 % of total costs).

Under all three program versions, mortgage costs had the strongest correlation to total cost. Administration costs correlated strongly with total cost under both of the earlier non-profit programs. Maintenance costs were strongly correlated with total costs under the 1986 program, as well as under the 1973 program.

Under the 1986 version of the urban native program, total costs were generally higher than under the 1978 version ($14,108 vs. $11,420), mainly because of differences in mortgage costs, as well as in utility costs and maintenance costs. The largest cost factor under both versions of the urban native program was mortgage costs (56 percent and 52 percent of total costs under the 1986 and 1978 programs, on average). Other relatively important cost factors were the same under both programs: administration, maintenance and taxes, although these did not approach the level of mortgage costs. For both programs, variations in total cost across projects correlated most

strongly with variations in mortgage and maintenance costs, with administration costs and taxes also correlating relatively strongly under the 1986 program.

Table 6.1 Per-unit cost elements by program

	Non-profit Housing Program			Urban Native Housing Program	
	'1973	'1978	'1986	'1978	'1986
Number of units	46,635	76,029	29,742	3,285	5,483
Federal subsidies ($)	-	2,816	4,397	7,185	10,237
Provincial and municipal subsidies ($)	1,626	681	2,226	267	30
Rent Supplement Program subsidies ($)	291	23	-	97	60
Total subsidies ($)	1,917	3,520	6,623	7,548	10,327
Rent revenue ($)	4,657	4,968	2,879	3,820	3,916
Other revenue ($)	372	222	189	158	145
Total revenue ($)	5,029	5,190	3,068	3,978	4,061
Mortgage payments ($)	1,366	4,527	6,194	5,910	7,956
Range ($)	618-4,382	3,261-13,391	4,770-10,673	1,864-7,863	5,832-12,518
Utilities ($)	708	757	766	643	958
Range ($)	451-1,018	191-4,740	88-2,250	43-1,952	164-2,272
Maintenance ($)	772	766	565	1,273	1,403
Range ($)	264-2,734	466-969	390-1,988	666-5,325	391-5,542
Taxes ($)	571	1,111	907	1,138	1,188
Range ($)	88-85	400-1,653	536-1,677	504-1,460	525-1,957
Administration ($)	724	523	479	1,319	1,371
Range ($)	141-2,902	287-2,447	249-778	746-2,239	731-3,374
Replacement reserve fund contributions ($)	302	245	173	460	534
Range ($)	0-484	71-676	0-605	0-1,286	389-671
Other costs ($)	2,449	764	608	676	698
Range ($)	157-19,992	332-1,344	200-2,212	103-1,311	71-1,036
Total costs ($)	6,892	8,693	9,692	11,420	14,108
Range ($)	2,989-2,5815	6,874-23,053	8,231-18,857	5,456-18,414	10,535-25,976

Note: Ranges are provincial and territorial mean averages.

Comparing the national average cost figures for the non-profit and urban native programs, it appears that urban native program units were generally more costly than non-profit units, especially under the 1986 urban native program (compare, for example, $14,108 per unit under the 1986 urban native program to $9,692 per unit under the 1986 non-profit program). This overall cost difference generally stemmed from higher levels of mortgage costs and utility costs

under the 1986 urban native program, and higher levels of maintenance costs, administration costs and contributions to replacement reserves for both 1978 and 1986 urban native program units. This relationship did not hold for all provinces or territories. In a number of provinces, urban native units were slightly less costly ($400 to $500) than comparable non-profit units, mainly because of differences in mortgage costs, as well as in maintenance and utility costs.

Costs per unit under the three non-profit programs changed moderately, in constant dollar terms, from 1990 to 1994. For the 1973 non-profit program, the real cost increase is attributable to increases in utility and maintenance costs. For the 1978 non-profit program, utility and maintenance costs also increased, but this was offset by a larger decrease in mortgage costs. The same pattern holds for the 1986 non-profit program.

Real costs per unit under the 1978 urban native program fell moderately, in constant dollar terms, from 1990 to 1994, on a national basis, mostly because of a steady decline in mortgage costs, as well as some recent reductions in maintenance costs. Constant-dollar costs per unit have been stable under the 1986 urban native program. Although mortgage costs declined steadily under this program, most other cost elements rose by small amounts, offsetting these savings.

6.3 Project characteristics

This section analyzes urban native and non-profit costs along a number of factors that may influence costs.

Public or private

Total cost per unit under the pre-1986 non-profit programs, as national averages, are about the same for private and public non-profit projects, although public non-profit projects have slightly higher costs in some cases, mostly from mortgage costs. Significant differences exist in costs across provinces under the 1973 non-profit program, in most cases because of "other costs." Private non-profit projects are significantly more expensive than public non-profit projects under the 1986 program in all but two provinces, largely because of mortgage and maintenance costs. The set-up of the urban native program does not allow for comparison of public to private sponsors.

Dwelling type

In the 1986 version of both the non-profit and urban native programs, apartments were the least expensive dwelling type. Under these programs, attached units (non-profit) or single units (urban native) were the most expensive dwelling type. The main reasons for these cost differences were mortgage costs, property and other taxes, and, to some extent, maintenance costs. Under the 1973 non-profit and the 1978 urban native program, however, the most expensive dwelling types were "other" and "apartments" and the least expensive dwelling type was the "single unit". Costs were high for "other costs" in the non-profit program, and for mortgage costs, "other costs" and maintenance costs in the urban native program.

Acquisition type

Newly constructed units acquired under the 1986 non-profit program were, on a national basis, significantly more expensive than units acquired from existing stock. The main difference between the two forms was in mortgage costs, as would be expected. Taxes were also higher for these units. As would also be expected, maintenance costs were slightly higher for existing units. Under the 1986 urban native program, units acquired from existing stock were, on average, slightly more expensive than those newly constructed. In this case, the difference in maintenance costs and taxes more than made up the amount by which mortgage costs were higher for newly constructed units.

Project age

In general, for all of the programs, mortgage costs tend to rise and maintenance costs tend to fall the more recently built the units are. Mortgage costs usually dominate this calculation, making more recent units relatively expensive, in general. For example, a moderation of mortgage costs in the 1990s under the non-profit program has led to a moderation in overall costs. On the other hand, high administrative costs eclipsed the low mortgage costs in the oldest of the early non-profit projects. Administrative costs varied little across the age categories for both of the 1986 programs.

Project size

For the non-profit programs, project size made little difference, except for the largest projects under the later programs. Administrative and maintenance costs did not necessarily tend to fall as the size of projects increased, although this appears to have been the case under the most recent program. Furthermore, capital efficiencies, resulting in lower mortgage costs, seem to have been realized for only the largest projects, if at all. Under both urban native programs, on the other hand, total costs per unit were generally moderately lower for projects with more units. The primary factor behind this was mortgage costs. Some larger projects showed additional savings in utility costs and maintenance costs.

Location in high-cost markets

Non-profit costs tended to be relatively high in major centres across the country, although sometimes costs were also high in smaller centres. These variations should be expected because of large variations in individual project costs. Costs in Toronto and Vancouver were examined in particular, and were higher than the rest of Ontario and British Columbia, mostly because of higher mortgage costs, taxes, maintenance costs and "other costs." For both urban native programs, the data by major metropolitan areas indicate that project costs were not generally higher in the largest centres than in other areas. Wherever costs were higher, whether in or outside of large markets, it was most often because of high mortgage costs, and then tax costs. Higher per-unit costs were also often the result of high maintenance costs or administration costs.

Client type

In general, for all three non-profit programs, mortgage and tax costs were moderately higher for projects primarily housing non-senior families and singles rather than seniors. Maintenance costs were also somewhat higher for these project types, relative to seniors-oriented projects. No particular pattern was evident for administrative costs. Costs by client type were not analyzed for the urban native programs, since almost all projects housed families primarily.

6.4 Comparison of highest- and lowest-cost units

A comparison between the highest-cost and lowest-cost units for all three non-profit programs reveals major differences in mortgage costs, maintenance costs, and property and other taxes. For the 1973 program, administration costs and "other costs" were the greatest source of the overall cost difference ("other costs" are 19.7 times higher for higher-cost projects). The high costs found under "other costs" were found to result, in part, from the recording of costs of medical services in some seniors projects that provided care facilities along with regular seniors-oriented housing.

Under the urban native programs, the major cost differences between high-cost and low-cost projects were in mortgage, maintenance and utility costs, in that order.

These results indicate that, except for the 1973 non-profit program, the per-unit total costs of projects are primarily driven by uncontrollable cost factors: mortgage costs and property and other taxes (non-profit), and to some extent, maintenance (non-profit and urban native programs) and utilities (urban native programs). The large variation in administrative and, in some projects, "other costs," under the 1973 non-profit program indicate that some groups may be able to manage costs significantly better, where costs related to housing management rather than other services.

From this analysis, it appears that many projects under the non-profit and urban native programs now operating at high cost are likely to continue to do so because their costs are primarily driven by mortgage costs. Exceptions would include projects that currently have high maintenance or other project expenditures that will produce future savings, groups that could invest in systems to control utility costs better, and groups that may be able to streamline administrative costs.

From an analysis of the characteristics of high- and low-cost non-profit units, some patterns emerge. For example, high-cost units tend to be in large-scale, newly constructed apartment buildings in large cities and a non-senior clientele; low-cost units tend to be in small projects with units acquired from existing stock and with a senior clientele.

Most high-cost urban native projects were in Ontario and British Columbia, while most low-cost urban native projects were in the Prairie provinces. Extreme-cost urban native projects were not concentrated in any one city. The only project characteristic with a clear relationship to exceptional urban native project cost was project size: larger projects were less likely to be very

high-cost projects and were more likely to be in the lowest-cost category (note how this differs from the Non-profit projects' cost pattern described above).

6.5 Comparison with market operating costs

Comparison of non-profit operating costs with market operating costs

Using 1994 data on private rental market norms in five metropolitan areas, it was determined that total 1986 non-profit program operating costs net of and including replacement reserves were within the normal range for private projects, in all centres.[4] Total operating costs net of replacement reserve contributions were also within private project norms for the pre-1986 programs, except for two of the five cities. The higher costs in one city was primarily because of higher "other costs" (particularly for the 1973 program), janitorial costs and maintenance costs. In the other high-cost cities, 1978 program units were moderately above the private project cost range mainly because costs in all categories were close to the top of the private range, and moderately above that range in utility costs, maintenance costs, "other costs" and janitorial services. "Other costs" tend to be a significant factor in the other centres, as well.

Maintenance costs tend to be higher than private norms under the pre-1986 non-profit programs, but in only one city under the 1986 program. Administration costs are generally within private market norms for the pre-1986 programs and are in line with private project costs under the 1986 program. Utility costs are within the norms in all centres but one. Taxes paid are consistently within private project norms.

In a comparison between 1990 costs for homeowners in the same types of units as in the non-profit stock and 1990 per-unit costs for non-profit sponsors, non-profit operating costs were less than corresponding homeowner costs in two of the three urban areas, even when administration costs were included.[5] In the third urban area, non-profit costs were higher than homeowner costs under the pre-1986 programs, mainly because of high "other costs" in the 1973 program and higher maintenance expenditures.

Comparison of urban native operating costs with market and non-profit operating costs

Operating expenses for urban native housing units in four urban centres with relatively large numbers of these units were compared with data on private rental project operating cost norms,

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[4] Amortization costs were not included in this analysis. Market data came from CMHC branch-office norms for market-specific underwriting purposes. Benchmark data for the non-profit comparison was for rental units of the same dwelling types as typically found in non-profit housing (high-rise apartments, low-rise walk-ups, and row houses). The comparison with urban native costs did not use benchmark data on high-rise apartments, since these are not typical urban native housing units.

[5] These data were from the Shelter Cost Survey component of the 1991 Household Income, Facilities and Equipment Survey, Statistics Canada.

and to operating costs for non-profit units, for 1994.[6] The comparison showed total operating costs, net of replacement reserve contributions, in three of the four centres, to be higher than both the benchmarks for private units and non-profit costs. Almost all cost elements exceeded benchmark levels. In two of these three centres, all elements of operating costs, except "other costs," of urban native units are higher than those of non-profit units. Non-profit costs in these two centres are within or relatively close to market norms. In the third centre, urban native costs are higher than market norms, but non-profit costs are also well above those norms. In this case, total urban native costs are higher than those for pre-1986 non-profit units but come close to 1986 non-profit costs. In the fourth centre, total operating costs for urban native units, net of replacement reserve contributions, were within the private market benchmarks, with only maintenance expenditures (and for the 1978 program, "other costs") higher than the market benchmarks; the other cost elements, however, tend to be in the high end of the range. Compared with non-profit units in that market, urban native costs are somewhat higher under the 1978 urban native program and in line with or lower than non-profit costs under the 1986 urban native program.

This analysis reinforces the observation from national data that urban native program units have higher operating costs than non-profit units. Since urban native units tend to be expensive relative to market costs and non-profit costs in specific markets, urban native program operating costs are likely not elevated simply because of locational factors. Since the urban native program is more actively client-centred than the non-profit program, however, higher administrative and staff costs, for example, for tenant counsellors, are to be expected.

6.6 Cost-effectiveness of non-profit and rent supplement housing assistance

This section examines the relative cost-effectiveness of housing assistance under the non-profit and the rent supplement programs, based on a review of recent studies using Canadian data.

The non-profit and rent supplement programs represent two very different models for delivering social housing. In the non-profit model, the required subsidy is the difference between project operating costs and project revenues. Project revenues, or rents, are based on 25 to 30 percent of tenants' incomes. Alternatively, the subsidy required under the rent supplement program is based on the difference between market rent and actual rents, which is the same 25 to 30 percent of tenants' incomes. The net difference in subsidy requirements under the two programs therefore is the difference between market rent and total operating costs, for an equivalent unit of housing.

A 1990 study used a standard economic model of the rental housing market.[7] The analysis compared the lifetime cost of delivering a hypothetical RGI unit under a non-profit program with the lifetime cost of delivering the same unit under a rent supplement program, thus controlling for unit quality. This was accomplished by comparing the difference between market rents and

[6] For comparability with the urban native stock, benchmarks relating to high-rise buildings were not included.

[7] University of Toronto. Institute for Policy Analysis. 1990. "Cost-effective Program Choice." Toronto: CMHC.

economic rents using differing assumptions as to mortgage interest rates and growth rates in rents and costs. The residual value of the non-profit unit after the agreement ended was assumed to be zero. "Economic rent" means a rent that just equals total operating cost for a rental project, including capital amortization.

The results of the study indicated that, based on nominal (rather than net present value) accounting, the cost-effective program choice depended on local market conditions. Conditions in most markets from 1970 to 1990 made non-profit assistance more cost-effective in almost all cases, in nominal terms. At about year 25 (of 35), the yearly cost would become less for non-profit than for rent supplement at those interest rates and cost and rent growth rates. For lower values of growth of rents and costs, rent supplement becomes cheaper over the entire period of comparison.

In net present value terms , assuming perfectly competitive markets and the removal of the unit from use at the end of the agreement, non-profit RGI units would never be the most cost-effective program choice in this model. At best, if the non-profit unit were to continue to be operated indefinitely, and there were no repair or renovation costs, the total costs over the life of the agreement would be the same for the rent supplement as for the non-profit unit.

A 1993 study compared the cost over the lifetime of a non-profit project to the costs of shelter allowances so that households can remain in their existing housing.[8] This study found that the non-profit approach, in nominal terms, was much more expensive than the shelter allowance approach. Using assumed values for inflation and mortgage rates, the study concluded that the non-profit project would at all points in its 35-year amortization period, incur higher yearly costs than the shelter allowance program, particularly when the interest foregone on higher non-profit costs over that period were considered. After the mortgage was repaid, non-profit units became less costly on a yearly operating cost basis than shelter allowances. This, and the residual value of non-profit properties, however, was not sufficient to change the conclusions on the relative cost-effectiveness of the two approaches over the entire time period.

These two programs would yield different benefits to participants, however, since the shelter allowance costs were predicated on recipients remaining in their existing housing, for which rents and housing quality would likely be much lower. For this reason, first-year costs were so much lower for shelter allowance units that no reasonable assumptions regarding inflation and mortgage rates would allow non-profit units to become more cost-effective over time, even in nominal terms. The conclusions, therefore, would not apply directly to a cost-effectiveness comparison between non-profit and rent supplement-style assistance, with equivalent housing quality.

A 1994 CMHC study used cost data from social housing projects and market rental housing projects.[9] The study compared the nominal sum of annual total costs (principal and interest plus operating costs) of a number of social housing projects to the sum of annual market rents of a

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[8] Clayton Research Associates Ltd. 1993. "Comparison of the Long-term Cost of Shelter Allowances and Non-profit Housing." Toronto: Clayton Research Associates Ltd. For the Fair Rental Policy Organization of Ontario.

[9] CMHC. 1994. "Social Housing Cost Comparison - Draft Report." Unpublished.

number of comparable market projects, over a given period (15- to 20-year time periods). The analysis was conducted separately for four urban centres. As much as possible, comparable market and social housing projects were selected in terms of number and type of units, location and amenities.

The principal findings were that Non-profit assistance committed in the 1970s in Toronto and Halifax was less costly than rent supplement assistance, while the opposite was true in Montreal and Winnipeg. The report noted that social housing total costs were often less, the same or only slightly higher than market rents in the first year of operation of comparable projects in the mid-1970s. This was primarily because of low financing costs[10] and relatively inexpensive land and construction costs.[11] Also growth rates in costs and market rents had a major impact on the relative costs of supply and demand assistance over the time period studied (mid-1970s to 1990s). The low-cost, long-term financing in the 1970s for social housing offset rapid growth in costs.

The report notes that applicability of these results to the future would depend on the same influential factors: initial-year total costs and market rents, and their subsequent growth rates, factors which are subject to change. The report also makes the point that a key to the cost relationship is the relative quality of market and social housing projects. The social housing projects studied were built in the 1970s, and were comparable in age and quality to their private market counterparts. If the quality of non-profit housing units were higher than that of rent supplement units (typically units from the existing stock rather than newly constructed units), then non-profit assistance would likely be more expensive than rent supplement units in the existing stock.

A 1997 Part IX Research study submitted to CMHC by the Canadian Housing and Renewal Association and Ekos Research Associates selected matched pairs of non profit housing and market rental projects (6 in the Vancouver area and 4 in the Ottawa area) and collected time series data on their costs and rents[12]. Adjustments were made to remove the effect of the subsidies on the non profit costs in order to derive annual costs comparable to the annual rents charged on the private rental units. Then the annual subsidy required to reduce annual Non-profit costs and annual private rents down to 30 percent of income was simulated for 25 years for a low income household. Where there was an insufficient number of years of data, projections where done assuming a 2 percent rate of inflation. A number of indicators were reported, including the time required for non-profit subsidy cost to fall below private rental subsidy costs, the subsidy costs at year 25 and the 25 year sum of subsidy costs in nominal and real (deflated) dollar terms for both Non-profit an private rental projects.

The study found that in all ten comparisons the non-profit break-even rents started out higher than private rents but then rose more slowly than market rents. In nine of the ten cases the Non-profit rents crossed below market between the fourth and eighteenth year of operation. It found that

10 Long-term financing available to social housing in the 1970s was no longer available in the 1990s; it was replaced by financing that is renewable every five years.

11 It is not clear whether all principal and interest costs for non-profit projects were included, or whether these amounts were net of up-front capital grants.

12 Cost-effective Housing; A Comparison of Non-profit and Market Housing

over the past two decades the non-profit vehicle has been the most cost effective in nine of the ten cases. The Report observed that although the study results rest on a small number of paired comparisons, there was considerable consistency within the data which suggests that the conclusions could be generalised to other markets. "There will be regional differences but the general conclusion that non profit projects can be less costly and that savings grow over time is extremely solid."

In summary, studies that report the results of the cost comparison in net present value terms are more likely to favour rent supplement assistance, since in the typical case, total costs exceed market rents for the equivalent unit in the early years, then market rents increase more quickly than total costs. As a result, rent supplement assistance is relatively more expensive later on, with this excess being relatively heavily discounted in the net present value approach. When calculations are done in nominal terms, non-profit assistance is found to be less costly than rent supplement assistance as long as market rents grow faster than the total costs of non-profit projects. This result is obtained even when first-year costs of non-profit projects are significantly higher than first-year market rents.

There is obviously no consensus among the studies reviewed in this evaluation, owing in large part to disagreement as to which is the most appropriate methodology to use. Therefore the evaluation conclusions can only be, given the current state of knowledge, that neither form of assistance can be said to be more cost-effective than the other.

Summary of key findings

7.1 Client targeting

1. Non-profit, rent supplement and urban native housing meet their respective client targeting criteria and serve low-income Canadians.

2. More than 50 percent of tenants in all urban social housing units had household incomes below $15,000; averages ranged from about $10,000 for rent supplement tenants to just over $20,000 for tenants in 1978 program non-profit housing, which is income-mixed. The Rent Supplement Program serves the lowest-income clientele.

3. More than 90 percent of tenants have incomes below core need income thresholds (CNITs) in all programs except the 1978 non-profit housing, where 78 percent of tenants were below CNITs. The targeting of a clientele in core housing need that was the major change made in 1986 increased the proportion of housing units available to Canada's neediest households.

4. The Urban Native Housing Program successfully targets households with Aboriginal members, and the non-profit and rent supplement programs assist Aboriginal households in proportion to need.

5. A higher proportion of social housing units are occupied by households with members having a disability than of the private rental stock. The majority off households with disabled members living in social housing projects have units that are specially equipped to meet their needs (more than 90 percent in non-profit housing).

6. These programs serve a range of household types, reflecting the types of projects and units assisted. The proportion of seniors and family tenants in 1986 program projects is very close to these groups' respective shares of need - a considerable shift from the mix of tenants in pre-1986 program projects, and just what the 1986 program objectives were designed to achieve.

7.2 Quality of life

1. Residents of the urban social housing programs are generally very satisfied with their homes, although rent supplement residents are substantially less satisfied than residents of other programs.

2. Urban social housing has successfully increased the adequacy and suitability of housing for its clients. In line with previous social housing evaluations, a substantial proportion of residents continue to have an affordability problem. The Urban Native Housing Program appears to have a substantial adequacy problem.

3. In addition to improving housing situations, the non-profit programs have markedly improved residents' social well-being as reflected in an increase in social networks, community involvement and personal feelings of security. The rent supplement programs had much more modest effects in these areas, while the Urban Native Housing Program outperforms the other programs on several indicators of emotional well-being.

4. Urban social housing has generally not provided its non-senior residents with incentives and opportunities to enhance their longer-term economic self-sufficiency.

7.3 Physical condition of the housing

1. The physical condition of the housing under these programs varies considerably. Most non-profit housing is in good condition and has minimal repair requirements. Rent supplement housing is in a state of repair similar to other private rental housing. Urban native housing is in worse physical condition than other housing occupied by Aboriginal households who live off reserve or outside Aboriginal communities, and according to resident assessments, one in five of the units are in need of major repairs.

2. Mean unit repair requirements were lowest for non-profit housing (ranging from $402 to $783 per unit among the three programs), moderate for rent supplement housing ($907 per unit) and highest for the urban native housing (more than $2000 per unit).

3. Repair requirements vary by building types and method of development. For instance, unit estimates are two to three times higher in projects developed through acquisition and renovation than for newly constructed projects; they're also higher for ground-oriented housing compared with apartment-type buildings. Higher repair requirements in the urban native portfolio relate to the type of housing (mostly larger, family units with a higher proportion of acquired properties than in the non-profit portfolios).

4. Most non-profit and urban native housing projects have replacement reserves to cover the cost of major repairs. Replacement reserve fund holdings of non-profit projects average $1285 per unit for the 1973 program and $1799 for the 1978 program. Replacement reserves of urban native sponsors were similar, averaging more than $1300 per unit in both programs. Public non-profit projects are much less likely to have reserves than private sponsors because several provinces have special provisions for funding repairs.

5. Replacement reserves exceed current repair requirements for 85 percent of private non-profit units and 33 percent of urban native housing units. These data indicate a satisfactory provision for repairs in the short- and medium-term in non-profit housing but more information on long term repair requirements would be needed to assess whether the repair reserves will be adequate in the long term or not.

7.4 Management effectiveness

1. CMHC portfolio managers consider about 80 percent of CMHC-administered non-profit sponsors and 65 percent of urban native sponsors as having either high or adequate levels of management expertise. Critically serious management problems were perceived for about one in 10 non-profit sponsors and about one in six urban native sponsors.

2. Fewer than one half of project managers reported any difficulty in any particular management area and fewer than 10 percent reported serious difficulty in any area. Managers in older program versions were more likely to report repair and maintenance problems while managers of 1986 program projects were more likely to report rent collections as a problem. Rent collections were seen as an especially significant problem in the Urban Native Housing Program.

3. CMHC portfolio managers reported that about 11 percent of CMHC-administered portfolio of non-profit projects had experienced financial difficulties within the previous five years, while about 5 percent had difficulties serious enough to warrant a full "work-out process." A significantly higher proportion of project managers reported experiencing some type of financial difficulty within the previous five years. A reduction in subsidies when mortgages are renewed at lower interest rates was raised as a serious long-term concern by some portfolio managers for the 1978 non-profit portfolio. Poor project management, local housing market conditions, and building condition and suitability problems were also seen as factors contributing to financial difficulties.

4. A majority of non-profit and rent supplement property managers reported that they were generally satisfied with all aspects of their respective programs, while about one half of urban native housing managers were generally satisfied. The most prevalent concern of urban native and non-profit managers was the perceived inadequacy of training available for staff or board members. A consistent one third of managers in those two programs reported some level of dissatisfaction with training. Rent supplement landlords were most likely to report difficulties in the tenant selection process.

5. Urban social housing tenants are no more likely to be involved in the management of their housing than tenants are in private rental housing. Types of involvement include participating in tenant associations or boards (although in Ontario, tenant representation on the board is a requirement of the 1986 Non-profit Housing Program).

7.5 Costs and cost-effectiveness

1. Average operating costs for the 1973 Non-profit Housing Program were $6,892 compared with $8,693 for the 1978 program and $9,692 for the 1986 program. Higher costs in the later programs are attributable to differences in mortgage costs (reflecting original capital costs), since maintenance, administration and replacement reserve costs are actually higher in the earlier programs. All average cost components of the 1986 non-profit program were within CMHC multiple underwriting norms for private rental properties in all of the five major urban centres studied. The pre-1986 programs exceeded the norms in two of the five metropolitan areas, with their maintenance costs exceeding the norm in all centres.

2. Average operating costs for the 1978 Urban Native Housing Program in 1994 were $11,420 compared with $14,108 for the 1986 program. All cost components are higher under the 1986 program, most notably mortgage costs and utilities. All average cost components (net of replacement reserves) of both urban native programs exceeded the CMHC multiple underwriting norms for private rental properties in three of the four major urban centres studied. The funding of a tenant counsellor position, a feature of the urban native programs, helps to elevate administration costs.

3. Variations in per unit total costs among projects were explained largely by variations in factors over which the project managers had no control, such as mortgage costs, property and other taxes (non-profit) and to some extent maintenance (non-profit and urban native programs) and utilities (urban native programs). The large variation in administrative and, in some projects, "other costs" under the 1973 non-profit program indicate that some groups may be able to manage costs significantly better, where costs relate to housing management rather than other services.

4. Many non-profit and urban native projects now operating at high cost are likely to continue to do so because their costs are primarily driven by mortgage costs.

5. The 1986 versions of both programs are directed only to households in core housing need, and government subsidies make up the difference between operating costs and the 25 to 30 percent of income tenants pay in rent. Under the earlier non-profit and urban native programs, subsidy requirements are substantially lower because of lower operating costs and, in the 1978 non-profit program, higher rent revenues because of the income mixing requirements of this program.

6. The key factors underlying differences in subsidy costs are the initial gap between market rents and operating costs, as well as relative growth rates of rents and costs in each program over time. Typically non profit subsidy costs are initially higher than rent supplement subsidy costs, but fall below rent supplement subsidy costs over time. Studies which compare subsidy costs in nominal terms often give the advantage to the non-profit program while studies which discount future subsidy costs generally give rent supplement the advantage..